NEW CENTURY COMPANIES INC
Form SB-2/A
October 18, 2007

As filed with the Securities and Exchange Commission on October 15, 2007
An Exhibit List can be found on page II-6.
Registration No. 333- 144702

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON D.C. 20549
Amendment No. 1
to
FORM SB-2
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

NEW CENTURY COMPANIES, INC.
(Name of small business issuer)

Delaware	3541	06-10345787
(State or other jurisdiction of incorporation)	(Primary standard industrial code number)	(IRS employer identification number)

9835 Santa Fe Springs Road
Santa Fe Springs, CA 90670
(562) 906-8455
(Address and telephone number of principal executive offices
and principal place of business)

David Duquette, President
9835 Santa Fe Springs Road
Santa Fe Springs, CA 90670
(562) 906-8455
(Name, address and telephone number of agent for service)

Copies to:
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Marcelle S. Balcombe, Esq.
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1065 Avenue of the Americas, 21st Floor.
New York, New York 10018
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APPROXIMATE DATE OF PROPOSED SALE TO THE PUBLIC:
From time to time after this Registration Statement becomes effective.

If any securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box: x

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. o

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered	Proposed maximum offering price per share (1)	Proposed maximum aggregate offering price	Amount of registration fee
Common stock , $.10 par value (2)	3,000,000	$ 0.36	$ 1,080,000	$ 33.16*

(1) Estimated solely for purposes of calculating the registration fee in accordance with Rule 457(c) and 457(g) under the Securities Act of 1933, using the average of the high and low price as reported on the Over-The-Counter Bulletin Board on October 11, 2007, which was $0.36 per share.

(2) Includes shares of our common stock, par value $0.10 per share, which may be offered pursuant to this registration statement, which shares are issuable upon conversion of convertible notes held by the selling stockholders.

* Previously paid.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the commission, acting pursuant to said Section 8(a), may determine.

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PROSPECTUS

SUBJECT TO COMPLETION, DATED,OCTOBER 15, 2007

NEW CENTURY COMPANIES, INC.

**3,000,000 SHARES OF
COMMON STOCK**

This prospectus relates to the resale by the selling stockholders of up to 3,000,000 shares of our common stock issuable upon conversion of convertible notes. The selling stockholders may sell common stock from time to time in the principal market on which the stock is traded at the prevailing market price or in negotiated transactions. The selling stockholders may be deemed underwriters of the shares of common stock, which they are offering. We will pay the expenses of registering these shares.

Our common stock is registered under Section 12(g) of the Securities Exchange Act of 1934 and is listed on the Over-The-Counter Bulletin Board under the symbol "NCNC.OB". The last reported sales price per share of our common stock as reported by the Over-The-Counter Bulletin Board on October 11, 2007, was $0.36.

Investing in these securities involves significant risks. See "Risk Factors" beginning on page 6.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this Prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is October 15 2007.

The information in this Prospectus is not complete and may be changed. This Prospectus is included in the Registration Statement that was filed by New Century Companies, Inc, with the Securities and Exchange Commission. The selling stockholders may not sell these securities until the registration statement becomes effective. This Prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the sale is not permitted.

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You may only rely on the information contained in this prospectus or that we have referred you to. We have not authorized anyone to provide you with different information. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the common stock offered by this prospectus. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any common stock in any circumstances in which such offer or solicitation is unlawful. Neither the delivery of this prospectus nor any sale made in connection with this prospectus shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information contained by reference to this prospectus is correct as of any time after its date.

PROSPECTUS SUMMARY

The following summary highlights selected information contained in this prospectus. This summary does not contain all the information you should consider before investing in the securities. Before making an investment decision, you should read the entire prospectus carefully, including the "risk factors" section, the financial statements and the notes to the financial statements.

NEW CENTURY COMPANIES, INC.

We are engaged in acquiring, re-manufacturing and selling pre-owned Computer Numerically Controlled ("CNC") machine tools to manufacturing customers. We provide rebuilt, retrofit and remanufacturing services for numerous brands of machine tools.

We also manufacture original equipment CNC large turning lathes and attachments under the trade name Century Turn. CNC machines use commands from onboard computers to control the movements of cutting tools and rotation speeds of the parts being produced. Computer controls enable operators to program operations such as part rotation, tooling selection and tooling movement for specific parts and then store the programs in memory for future use. The machines are able to produce parts while left unattended. Because of this ability, as well as superior speed of operation, a CNC machine is able to produce the same amount of work as several manually controlled machines, as well as reduce the number of operators required; generating higher profits with less re-work and scrap. Since the introduction of CNC tooling machines, continual advances in computer control technology have allowed for easier programming and additional machine capabilities. A vertical turning machine permits the production of larger, heavier and more oddly shaped parts on a machine, which uses less floor space when compared to the traditional horizontal turning machine because the spindle and cam are aligned on a vertical plane, with the spindle on the bottom.

The primary industry segments in which our machines are utilized to make component parts are in aerospace, power generation turbines, military, component parts for the energy sector for natural gas and oil exploration, medical, aerospace and mining fields.

We sell our products to customers in the United States, Canada and Mexico.

Over the last several years, we have designed and developed a large horizontal CNC turning lathe with productivity features new to the metalworking industry. We believe that a potential market for the Century Turn Lathe, in addition to the markets mentioned above, is aircraft landing gear.

We are also engaged in assembling sound-wall modules made from Quilite(R), a lightweight, graffiti resistant concrete alternative used in freeway sound barriers and in other sound absorbing structures and non-weight bearing applications, where privacy or screening is necessary.

Our principal offices are located at 9835 Santa Fe Springs Rd. Santa Fe Springs, CA 90670 and our telephone number is (562) 906-8455. We are a Delaware corporation.

The Offering

Common stock offered by selling stockholders	Up to 3,000,000 shares of common stock issuable upon conversion of convertible notes. This number represents approximately 22.3% of our total number of shares outstanding.
Common stock to be outstanding after the offering	Up to 16,444,656 shares.*
Use of proceeds	We will not receive any proceeds from the sale of the common stock.
OTCBB Symbol	NCNC.OB

*The above information regarding common stock to be outstanding after the offering is based on 13,444,656 shares of common stock outstanding as of October 11, 2007 and assumes the issuance of 3,000,000 shares upon conversion of convertible notes by our selling stockholder.

Dollar Value of Securities Registered for Resale in this Prospectus

The total dollar value of the securities underlying the convertible notes in the financing transaction that we have registered for resale (using the number of underlying securities that we have registered for resale and the market price per share for those securities on the date of the sale of the convertible note) are as follows:

Securities Underlying the Convertible Notes issued to CAMOFI Master LDC	Market Price at February 28, 2006	Dollar Value of Underlying Securities
3,000,000	$ 0.63	$ 1,890,000

FINANCING TRANSACTIONS

We are registering shares of common stock and shares of common stock underlying convertible notes, in connection with the following financing transaction:

CAMOFI PRIVATE PLACEMENT

On February 28, 2006, to obtain funding for our operations, we entered into a Securities Purchase Agreement ("CAMOFI Purchase Agreement") with CAMOFI Master LDC ("CAMOFI") for the sale of (i) $3,500,000 in 12% Senior Secured Convertible Note (the "CAMOFI Note") which is convertible into common stock at a fixed conversion price of $0.63 and (ii) stock purchase warrants (the "Warrant") to purchase 3,476,190 shares of our common stock at a fixed exercise price of $0.63. We closed the financing pursuant to the CAMOFI Purchase Agreement on February 28, 2006.

The CAMOFI Note bears interest at 12% and matures on February 28, 2009. Interest on the aggregate of the unconverted and then outstanding principal amount is payable monthly in arrears, in cash or registered shares of common stock at the Company's election, or a combination thereof, beginning on the first day of the first month after the issuance date of March 1, 2006. Notwithstanding the foregoing, payment in shares of common stock can only occur if during the 20 trading days immediately prior to the payment date, the payment in shares of common stock would not exceed 25% of the volume for any of the previous 20 trading days, we shall have given the holder notice, and the following conditions (the "Equity Conditions") have been met: (i) we have duly honored conversions and redemptions; (ii) all liquidated damages and other amounts owing in respect of the CAMOFI Note have been paid; (iii) there is an effective registration statement pursuant to which the holder is permitted to resell all of the shares issuable pursuant to the CAMOFI Purchase Agreement; (iv) our stock is listed or quoted for trading on either of the Nasdaq SmallCap Market, the American Stock Exchange, the New York Stock Exchange, the Nasdaq National Market or the OTC Bulletin Board and the shares issuable pursuant to the CAMOFI Purchase Agreement are listed for trading; (v) there is sufficient number of authorized but unissued and unreserved shares for the issuance of shares issuable pursuant to the CAMOFI Purchase Agreement; (vi) we are not in default under the CAMOFI Purchase Agreement; (vii) the shares issued or issuable will not exceed 4.99%; (viii) no public announcement of a pending or proposed fundamental transaction (such as a merger or consolidation of the Company, any completed tender offer or exchange, any reclassification of our common stock or compulsory share exchange where our common stock is effectively converted into or exchanged for other securities, cash or property) or change of control transaction has occurred that has not been consummated; (ix) the closing price of our common stock is at least 115% of the conversion price of the CAMOFI Note, (as adjusted).

The CAMOFI Note is convertible into shares of the Company’s common stock at the option of the Holder at a price of $0.63 per share. To effect conversions, the Holder is required to execute a notice of conversion specifying the principal amount of the Note to be converted and the date the conversion is to be effected. If the Company fails to timely deliver to the Holders certificates by the third trading day after the conversion date specified in the notice of conversion, the Company shall be required to pay in cash for each $1,000 of principal being converted, $10 per trading day (increased to $20 per trading day after 5 trading days after such damages begin to accrue) for each trading day after such third trading day until such certificates are delivered. The Company may also be required to compensate the Holder for a Buy-in, where the Holder is required by its brokerage firm to purchase common stock to deliver in satisfaction of a sale by such holder of the conversion shares.

The conversion price of the CAMOFI Note is subject to adjustment in the event the Company (a) pays a stock dividend or makes a distribution of its shares, (b) subdivides its common stock into a larger number of shares, (c) combines outstanding shares of common stock into a smaller number of shares, (d) issues by reclassification of shares of common stock of the Company, (e) offers, sells, grant any option to purchase or offer sell, or grant any right to reprice its securities or otherwise disposes of or issue any common stock or common stock equivalents at an effective price per share less than the then conversion price. Notwithstanding the foregoing, there shall be no adjustment of the conversion price in the case of an issuance of (i) shares of Common Stock or options to employees, officers or directors of the Company pursuant to any stock or option plan duly adopted by a majority of the non-employee members of the Board of Directors of the Company or a majority of the members of a committee of non-employee directors established for such purpose, or (ii) securities upon the exercise of or conversion of any securities issued pursuant to the CAMOFI Note, convertible securities, options or warrants issued and outstanding as of February 28, 2006, provided that such securities have not been amended since such date to increase the number of such securities.

We have the right to prepay in cash, all, or a portion of the CAMOFI Note, at 120% of the principal amount plus accrued interest at the date of prepayment. In addition, we are required to repay the CAMOFI Note at 120% of the principal amount thereof plus accrued interest to the date of repayment in the event we shall (A) sell all or a portion of the our assets, (B) become subject to change in control transaction, or (C) Quilite International, LLC's audited financial statement are materially worse than its unaudited financial statements. In determining whether Quilite’s audited financial statements are materially worse than its unaudited financial statements, we will rely on a qualified third party accounting expert to determine the differences. The comparison will take place prior to the closing of any transaction between the Company and Quilite. Presently, the Company has not set a time for the consummation of any transactions with Quilite.

On the first day of each month, commencing September 1, 2006, we are required to redeem 1/30th of the original principal amount of the CAMOFI Note plus accrued but unpaid interest, the sum of all liquidated damages and any other amounts then owing to such Holder in respect of the Note which shall be paid in cash, equal to 105% of such amount; provided, however, upon 10 trading days prior written irrevocable notice, in lieu of a cash redemption payment, we may elect to pay 100% of such amount due in shares of our common stock based on a conversion price equal to 85% of the average of the 10 consecutive VWAPs immediately prior to the applicable payment. As of October 11, 2007, we have repaid approximately $1,283,000 of the principal balance of the Note. However, we are currently not in compliance with certain payment requirements under the terms of the Note by failing to make required payments under the CAMOFI Note in the aggregate amount of $550,394 for the periods from July 1, 2007 through October 1, 2007.

Upon the occurrence of an event of default, at the Holder's election, the full principal amount of the Note, together with interest and any other amounts owed pursuant to the CAMOFI Note shall become immediately due and payable in cash. The aggregate amount payable upon an event of default shall be equal to 120% of the principal amount of the CAMOFI Note, plus all accrued and unpaid interest thereon and all other costs, expenses, and liquidated damages due with respect to such CAMOFI Note. Commencing 5 days after the occurrence of any event of default that results in the eventual acceleration of the CAMOFI Note, the interest rate on the Note shall accrue at the rate of 20% per annum, or such lower maximum amount of interest permitted to be charged under applicable law. Pursuant to the terms of the Note, an event of default means (subject to any applicable grace or cure period) (i) any default in the payment of any principal interest or liquidated damages in connection with the Note; (ii) failure to observe any covenant or agreement contained in the Note; (iii) a default under any of the other documents executed in connection with the CAMOFI Purchase Agreement or any other material agreement, lease document or instrument to which the Company or any subsidiary is bound which default is not cured within 10 trading days; (iv) any representation or warranty made in any of the documents or in any written statement delivered to CAMOFI shall be untrue in all material respects as of the date made or deemed made; (v) any proceeding under applicable bankruptcy or insolvency laws commenced against the Company or its subsidiaries, which remains un-dismissed after 60 days or any adjudication of the Company or any of its subsidiaries is adjudicated insolvent or bankrupt.

The Warrant to purchase 3,476,190 shares of our common stock issued in connection with the purchase of the Note is exercisable at a price of $0.63 per share and will expire on February 28, 2013. In the event that there is no effective registration statement covering the resale of the shares underlying the Warrant, the Warrant may be exercised by means of a cashless exercise. The Warrant provides for certain adjustments upon the occurrence of certain events, including, but not limited to, any payment of a stock dividend or distributions to our shareholders; subdivision of our common stock into a larger number of shares; reclassification of our common stock; and the combination of our common stock into a smaller number of shares.

In connection with the CAMOFI Note, we issued 250,000 restricted shares of our common stock to the Placement Agent, Ascendiant Securities, LLC. Also, we issued Ascendiant Securities, LLC, and its assignee 722,539 warrants which warrants are exercisable at price of $0.63 and which expire on February 28, 2013. In addition, we paid aggregate fees and expenses of $392,500 to CAMOFI.

In connection with the CAMOFI Purchase Agreement, we entered into an escrow agreement by and among, CAMOFI, Katten Muchin Rosenman, as Escrow Agent , and us and a letter agreement with CAMOFI, pursuant to which $1,500,000 was deposited into escrow by CAMOFI. Pursuant to the terms of the letter agreement, the $1,500,000 will be released to us upon consummation of the acquisition of Quilite International LLC, provided however, (v) the terms of such acquisition are satisfactory to CAMOFI; (w) CAMOFI shall be satisfied, in its sole discretion, with the progress of negotiations for the extension or renewal of our Headquarters lease; (x) no default or Event of Default shall have occurred or be continuing; (y) there shall have been no material adverse change in our business and the business of our subsidiaries or results of operations; and (z) the Equity Conditions shall have all been satisfied. Based upon changed circumstances the parties determined to release the funds held in escrow to the Company as follows: (a) $750,000 on July 10, 2006, which was used for general working capital purposes and (b) $750,000 on August 4, 2006, which was used to repay a portion of the CAMOFI Note.

On December 19, 2006, we entered into an Amended and Restated Registration Rights Agreement (the “Amended and Restated Agreement”) with CAMOFI. Pursuant to the Amended and Restated Agreement we agreed to file registration statements to cover the resale of the shares issuable upon conversion of the CAMOFI Note and warrants as follows: (i) on or before January 31,2007, prepare and file with the United States Securities and Exchange Commission (“SEC”) a Registration Statement covering the resale of all common Stock issuable upon conversion of the 12% Senior Secured Convertible Note dated February 28, 2009, up to 33% of our issued and outstanding stock; (ii) within 90 days from effectiveness of the Registration Statement referred to in i) above, prepare and file a Registration Statement covering the resale of all common Stock issuable upon conversion of the 12% Senior Secured Convertible Note dated February 28, 2009 to the extent not registered above plus all shares of common stock underlying the Purchaser Warrants, up to 33% of our issued and outstanding stock; (iii) within 90 days from effectiveness of the Registration Statement referred to in ii) above, prepare and file a Registration Statement covering the resale of all common Stock issuable upon conversion of the 12% Senior Secured Convertible Note dated February 28, 2009 plus all shares of common stock underlying the Purchaser Warrants to extent not registered above, up to 33% of our issued and outstanding stock; and (iv) within 90 days from effectiveness of the Registration Statement referred to in iii) above, prepare and file a Registration Statement covering the resale of all additional Purchaser Warrants to extent not registered above, up to 33% of our issued and outstanding stock.

In connection with the Restated and Amended Agreement, we issued to CAMOFI warrants to purchase 1,500,000 shares of our common stock, at an exercise price of $0.35 for a term of seven years.

On May 1, 2007, we entered into a second Amended and Restated Registration Rights Agreement (the “Second Amended and Restated Agreement”) with CAMOFI. Pursuant to Section 2 of the Second Amended and Restated Agreement we agreed to file, in 30 days from the date thereof, a Registration Statement to register up to 33% of our issued and outstanding stock covering the resale of common stock issuable upon conversion of the 12% Senior Secured Convertible Note dated February 28, 2009, and to use our best efforts to have the registration statements mentioned above declared effective 90 days after the date of filing. In addition, we agreed to use our best efforts to keep the registration statement continuously effective under the Securities Act until all the securities covered by such registration statement have been sold or may be sold without volume restriction pursuant to Rule 144(k). Pursuant to the Second Amended and Restated Registration Rights Agreement, CAMOFI agreed to waive any liquidated damages accrued prior to the date of the Amendment. However, the failure to timely file the Registration Statement and have the registration statement declared effective, will subject us to liquidated damages equal to 1.5% of the outstanding principal of the Notes for any registrable securities then held by CAMOFI for the first 30 days (or part thereof) after the default date and an additional 1.5% for any subsequent 30-day period (or part thereof), thereafter or a maximum of

10% of the remaining balance of the CAMOFI Notes. If we fail to pay any partial liquidated damages within seven days after the date payable, we will be required to pay interest thereon at a rate of 20% per annum (or such lesser maximum amount that is permitted to be paid by applicable law) to CAMOFI, accruing daily from the date such partial liquidated damages are due until such amounts, plus all such interest thereon, are paid in full.

On July 18, 2007, CAMOFI agreed to waive their right to require us to register up to 33% of our issued and outstanding stock and consented to the inclusion of 3,000,000 shares or 27% of the public float of the Company in this registration statement. Therefore, the Company’s obligation pursuant to the second Amended and Restated Agreement and July 18, 2007 waiver, is to file one registration statement to register up to 3,000,000 shares or 27% of the public float of the Company’s common stock.

We are currently not in compliance with our obligations under the Second Amended and Restated Agreement to have this Registration Statement declared effective within 90 days of filing and to respond to comments of the SEC within 14 calendar days after receipt. If we do not obtain a waiver of such default by CAMOFI we will be obligated to pay liquidated damages to CAMOFI as described above.

The CAMOFI Note is secured by substantially all of our assets.

CAMOFI has contractually agreed to restrict its ability to convert the CAMOFI Note and exercise the Warrant and receive shares of our common stock such that the number of shares of our common stock held by them and their affiliates after such conversion or exercise does not exceed 4.99% of our then issued and outstanding shares of common stock.

The CAMOFI Note and corresponding warrants were offered and sold to CAMOFI in a private placement transaction made in reliance upon exemptions from registration pursuant to Section 4(2) under the Securities Act of 1933 and Rule 506 promulgated thereunder. CAMOFI is an accredited investor as defined in Rule 501 of Regulation D promulgated under the Securities Act of 1933.

Additional Disclosure regarding the CAMOFI Private Placement

We have made and may be required to make interest, financing and liquidated damages payments in connection with the CAMOFI Purchase Agreement. The following is a tabular disclosure of the dollar amount of each such payment (including the value of any payments to be made in common stock, and excluding any repayment of principal) in connection with the CAMOFI Purchase Agreement that we have made or may be required to make to CAMOFI, any of its affiliates, or any person with whom CAMOFI has a contractual relationship regarding the transaction (including any interest payments, liquidated damages, payments made to "finders" or "placement agents" and any other payments or potential payments):

Tabular Disclosure of Payments Made or Required to be Made In Connection With CAMOFI Purchase Agreement

Name	Type of Payment	Origins of Payment	Date of Payment Made or Required to Be Made	No of shares or warrants	Fair Value of Securities issued *	Value of Payment
DEBT DISCOUNT (See Note 6 to Consolidated Financials Statements for the Year Ending December 31, 2006, included in this prospectus)						
CAMOFI Master, LDC, shareholder	warrants to purchase shares of common stock	in connection with issuance of the Note	2/28/2006	3,476,190	$ 0.63	$ 2,190,000
FINANCING COST						
Ascendiant Securities, Inc., placement agent	shares of common stock	in connection with issuance of the Note	2/28/2006	250,000	$ 0.63	$ 157,500
Ascendiant Securities, Inc., placement agent	warrants to purchase shares of	in connection with	2/28/2006	632,222	$ 0.63	$ 398,300

	common stock	issuance of the Note						
Michael S. Cole, affiliate of placement agent	warrants to purchase shares of common stock	in connection with issuance of the Note	2/28/2006	90,317	$	0.63	$	56,900

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CAMOFI Master, LDC, shareholder	cash	in connection with issuance of the Note, due diligence	2/16/2006	n/a	n/a	$ 20,000
CAMOFI Master, LDC, shareholder	cash	legal fees	2/16/2006	n/a	n/a	$ 10,000
Oswald & Yap legal office, contractual	cash	legal fees	3/2/2006	n/a	n/a	$ 5,000
Ascendiant Securities, Inc., placement agent	cash	in connection with issuance of the Note	3/6/2006	n/a	n/a	$ 220,000
CAMOFI Master, LDC	cash	in connection with issuance of the Note, structuring fees	3/6/2006	n/a	n/a	$ 122,500
Katten Muchin Rosenman, Escrow Agent	cash	legal fees	3/6/2006	n/a	n/a	$ 15,000
Ascendiant Securities, Inc., placement agent	cash	in connection with issuance of the Note	7/10/2006	n/a	n/a	$ 30,000
Ascendiant Securities, Inc., placement agent	cash	in connection with issuance of the Note	8/4/2006	n/a	n/a	$ 30,000
CAMOFI Master, LDC, shareholder	warrants to purchase shares of common stock	in connection with the Amended Registration Rights Agreement dated 12/19/06	12/19/2006	1,500,000	$ 0.20	$ 300,000
INTEREST						
CAMOFI Master, LDC, shareholder	cash	interest on the Note	4/20/2006	n/a	n/a	$ 29,167
CAMOFI Master, LDC, shareholder	cash	interest on the Note	5/10/2006	n/a	n/a	$ 33,833
CAMOFI Master, LDC, shareholder	cash	interest on the Note	6/6/2006	n/a	n/a	$ 36,167
CAMOFI Master, LDC, shareholder	cash	interest on the Note	7/11/2006	n/a	n/a	$ 35,000
CAMOFI Master, LDC, shareholder	cash	interest on the Note	8/8/2006	n/a	n/a	$ 36,167
CAMOFI Master, LDC, shareholder	cash	interest on the Note	9/1/2006	n/a	n/a	$ 34,961
CAMOFI Master, LDC, shareholder	cash	interest on the Note	10/1/2006	n/a	n/a	$ 32,667
	cash		11/1/2006	n/a	n/a	$ 32,550

CAMOFI Master, LDC, shareholder		interest on the Note				
CAMOFI Master, LDC, shareholder	cash	interest on the Note	12/1/2006	n/a	n/a	$ 30,333
CAMOFI Master, LDC, shareholder	cash	interest on the Note	1/1/2007	n/a	n/a	$ 7,206
CAMOFI Master, LDC, shareholder	cash	interest on the Note	2/1/2007	n/a	n/a	$ 22,933
CAMOFI Master, LDC, shareholder	cash	interest on the Note	2/16/2007	n/a	n/a	$ 30,139
CAMOFI Master, LDC, shareholder	cash	interest on the Note	3/9/2007	n/a	n/a	$ 26,133

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CAMOFI Master, LDC, shareholder	converted into common stock	interest on the Note	4/1/2007	n/a	n/a	$	27,728
CAMOFI Master, LDC, shareholder	converted into common stock	interest on the Note	5/1/2007	n/a	n/a	$	25,667
CAMOFI Master, LDC, shareholder	converted into common stock	interest on the Note	6/1/2007	n/a	n/a	$	25,317
CAMOFI Master, LDC, shareholder	cash **	interest on the Note	7/1/2007	n/a	n/a	$	23,333
CAMOFI Master, LDC, shareholder	cash **	interest on the Note	8/1/2007	n/a	n/a	$	22,906
CAMOFI Master, LDC, shareholder	cash **	interest on the Note	9/1/2007	n/a	n/a	$	21,700
CAMOFI Master, LDC, shareholder	cash **	interest on the Note	10/1/2007	n/a	n/a	$	19,833
CAMOFI Master, LDC, shareholder	cash	interest on the Note	11/1/2007	n/a	n/a	$	19,289
CAMOFI Master, LDC, shareholder	cash	interest on the Note	12/1/2007	n/a	n/a	$	17,500
CAMOFI Master, LDC, shareholder	cash	interest on the Note	1/1/2008	n/a	n/a	$	16,878
CAMOFI Master, LDC, shareholder	cash	interest on the Note	2/1/2008	n/a	n/a	$	15,672
CAMOFI Master, LDC, shareholder	cash	interest on the Note	3/1/2008	n/a	n/a	$	13,533
CAMOFI Master, LDC, shareholder	cash	interest on the Note	4/1/2008	n/a	n/a	$	13,261
CAMOFI Master, LDC, shareholder	cash	interest on the Note	5/1/2008	n/a	n/a	$	11,667
CAMOFI Master, LDC, shareholder	cash	interest on the Note	6/1/2008	n/a	n/a	$	10,850
CAMOFI Master, LDC, shareholder	cash	interest on the Note	7/1/2008	n/a	n/a	$	9,333
CAMOFI Master, LDC, shareholder	cash	interest on the Note	8/1/2008	n/a	n/a	$	8,439
CAMOFI Master, LDC, shareholder	cash	interest on the Note	9/1/2008	n/a	n/a	$	7,233
CAMOFI Master, LDC, shareholder	cash	interest on the Note	10/1/2008	n/a	n/a	$	5,833
CAMOFI Master, LDC, shareholder	cash	interest on the Note	11/1/2008	n/a	n/a	$	4,822
CAMOFI Master, LDC, shareholder	cash	interest on the Note	12/1/2008	n/a	n/a	$	3,500
CAMOFI Master, LDC, shareholder	cash	interest on the Note	1/1/2009	n/a	n/a	$	2,411

CAMOFI Master, LDC, shareholder	cash	interest on the Note	2/1/2009	n/a	n/a	$	1,206
CAMOFI Master, LDC, shareholder	cash	interest on the Note	3/1/2009	n/a	n/a	$	175,000
Total payments that have been or may de required to be made in connection with the CAMOFI Private Placement, excluding principal repayments						$	4,445,366

* The Fair Value of Securities issued was estimated using trading price of the Company’s stock on the date of grant for common stock and Black Scholes option-pricing model to evaluate warrants to purchase common stock.

** Such payments due have not been made and the Company is not in compliance with the CAMOFI Purchase Agreement terms.

The net proceeds from the sale of the convertible notes in the CAMOFI Private Placement and the total possible payments to all selling shareholders and any of their affiliates in the first year following the sale of the convertible notes are as follows:

Tabular Disclosure of Payments Made In Connection With CAMOFI Private Placement

Selling Shareholder, Affiliate or Contractual	Type of Payment	Origins of Payment	Date of Payment Made or Required to Be Make	No of shares or warrants	Fair Value of Securities issued *	Value of Payment
DEBT DISCOUNT (See Note 6 to Consolidated Financials Statements for the Year Ending December 31, 2006, included in this prospectus)						
CAMOFI Master, LDC, shareholder	warrants to purchase shares of common stock	in connection with issuance of the Note	2/28/2006	3,476,190	$ 0.63	$ 2,190,000
FINANCING COST						
Ascendiant Securities, Inc., placement agent (2)	shares of common stock	in connection with issuance of the Note	2/28/2006	250,000	$ 0.63	$ 157,500
Ascendiant Securities, Inc., placement agent	warrants to purchase shares of common stock	in connection with issuance of the Note	2/28/2006	632,222	$ 0.63	$ 398,300
Michael S. Cole, affiliate of placement agent	warrants to purchase shares of common stock	in connection with issuance of the Note	2/28/2006	90,317	$ 0.63	$ 56,900
CAMOFI Master, LDC, shareholder	cash	in connection with issuance of the Note, due diligence	2/16/2006	n/a	n/a	$ 20,000
CAMOFI Master, LDC, shareholder	cash	legal fees	2/16/2006	n/a	n/a	$ 10,000
	cash	legal fees	3/2/2006	n/a	n/a	$ 5,000

Oswald & Yap legal office, contractual							
Ascendiant Securities, Inc., placement agent	cash	in connection with issuance of the Note	3/6/2006	n/a	n/a	$	220,000
CAMOFI Master, LDC, shareholder	cash	in connection with issuance of the Note, structuring fees	3/6/2006	n/a	n/a	$	122,500

Katten Muchin Rosenman, Escrow Agent	cash	legal fees	3/6/2006	n/a		n/a	$	15,000
Ascendiant Securities, Inc., placement agent	cash	in connection with issuance of the Note	7/10/2006	n/a		n/a	$	30,000
Ascendiant Securities, Inc., placement agent	cash	in connection with issuance of the Note	8/4/2006	n/a		n/a	$	30,000
CAMOFI Master, LDC, shareholder	warrants to purchase shares of common stock	in connection with the Amended Registration Rights Agreement dated 12/19/06	12/19/2006	1,500,000	$	0.20	$	300,000

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INTEREST						
CAMOFI Master, LDC, shareholder	cash	interest on the Note	4/20/2006	n/a	n/a	$ 29,167
CAMOFI Master, LDC, shareholder	cash	interest on the Note	5/10/2006	n/a	n/a	$ 33,833
CAMOFI Master, LDC, shareholder	cash	interest on the Note	6/6/2006	n/a	n/a	$ 36,167
CAMOFI Master, LDC, shareholder	cash	interest on the Note	7/11/2006	n/a	n/a	$ 35,000
CAMOFI Master, LDC, shareholder	cash	interest on the Note	8/8/2006	n/a	n/a	$ 36,167
CAMOFI Master, LDC, shareholder	cash	interest on the Note	9/1/2006	n/a	n/a	$ 34,961
CAMOFI Master, LDC, shareholder	cash	interest on the Note	10/1/2006	n/a	n/a	$ 32,667
CAMOFI Master, LDC, shareholder	cash	interest on the Note	11/1/2006	n/a	n/a	$ 32,550
CAMOFI Master, LDC, shareholder	cash	interest on the Note	12/1/2006	n/a	n/a	$ 30,333
CAMOFI Master, LDC, shareholder	cash	interest on the Note	1/1/2007	n/a	n/a	$ 7,206
CAMOFI Master, LDC, shareholder	cash	interest on the Note	2/1/2007	n/a	n/a	$ 22,933
CAMOFI Master, LDC, shareholder	cash	interest on the Note	2/16/2007	n/a	n/a	$ 30,139
INTEREST						
CAMOFI Master, LDC, shareholder	cash	principal on the Note	9/1/2006	n/a	n/a	$ 116,667
CAMOFI Master, LDC, shareholder	cash	interest on the Note	10/1/2006	n/a	n/a	$ 116,667
CAMOFI Master, LDC, shareholder	cash	interest on the Note	11/1/2006	n/a	n/a	$ 116,667
CAMOFI Master, LDC, shareholder	cash	interest on the Note	12/1/2006	n/a	n/a	$ 116,667
CAMOFI Master, LDC, shareholder	cash	interest on the Note	1/1/2007	n/a	n/a	$ 116,667
CAMOFI Master, LDC, shareholder	cash	interest on the Note	2/1/2007	n/a	n/a	$ 116,667

Total payments that have been or may be required to be made in connection with the CAMOFI Private Placement in the first year following the sale of the convertible notes	$ 4,616,322

* The Fair Value of Securities issued was estimated using trading price of the Company's stock on the date of grant for common stock and Black Scholes option-pricing model to evaluate warrants to purchase common stock.

The following calculation represent the gross proceeds from the CAMOFI Private Placement, less all total possible payments to selling shareholder :

Gross Proceeds	$	3,500,000
Less cash payments	$	1,513,662
Less fair market value of securities possible payments to the selling shareholders	$	3,102,699
Net Loss	$	(1,116,322)

· The Senior Secured Convertible Note has a fixed conversion price of $0.63. The market price per share of the securities underlying the convertible notes on February 28, 2006, the date of the sale of the convertible note, was $0.63. Based upon the foregoing, no conversion discount or possible profit for the selling shareholder derives from the conversion of convertible notes.

· If CAMOFI Master LDC chooses not to convert the CAMOFI Note, and the Company is required to pay monthly redemption amounts pursuant to section 6 of the note, the total possible profit the selling shareholders could realize as a result of the Company redeeming the CAMOFI Note in cash is as follows:

Selling Shareholder	**Principal Amount**	**Redemption Amount ***	**Potential Profit to be Realized**
CAMOFI Master, LDC	$ 3,500,000	$ 3,675,000	$ 175,000.00

* 105% of the prime amount redeemed

· If CAMOFI Master LDC chooses not to convert the CAMOFI Note, and the Company is required to pay monthly redemption amounts pursuant to section 6 of the CAMOFI Note, the total possible profit the selling shareholders could realize as a result of the Company redeeming the CAMOFI Note in shares of its common stock is as follows:

Selling Shareholder	**Principal Amount**	**Redemption Amount ****	**Potential Profit to be Realized**	**Maximum Potential Profit to be Realized from Redeeming in Cash or Stock**
CAMOFI Master, LDC	$ 3,500,000	$ 4,025,000	$ 525,000.00	$ 525,000.00

** Redemption in stock with a conversion price equal to 85% of the average of the VWAP for the 10 consecutive days immediately prior to the applicable payment

· The total possible profit to be realized by CAMOFI as a result of any conversion discounts regarding the securities underlying any other securities of the Company that are held by the selling shareholders or any affiliates of the selling shareholders is disclosed in the following table:

Selling Shareholder	**Date of Sale**	**Securities Underlying Warrants**	**Market Price of Common Stock on Date**	**Exercise Price of Warrants**	**Combined Market Price of Shares underlying**	**Combined Exercise Price of Shares underlying**	**Potential Profit to be Realized**

			of Sale		**Warrants**	**Warrants**	
CAMOFI Master, LDC	2/28/2006	4,198,729	$ 0.63	$ 0.63	$ 2,645,199	$ 2,645,199	$ -
CAMOFI Master, LDC	12/19/2006	1,500,000	$ 0.20	$ 0.35	$ 300,000	$ 525,000	$ (225,000)

Combined Total possible profit to be realized by the investors as a result of any conversion discounts regarding the securities underlying the convertible notes and any other warrants, options, notes, or other securities of the Company that are held by the selling shareholders or any affiliates of the selling shareholders	$	300,000

The following information presents the sum of all possible payments and the total possible discounts to the market price of the shares underlying the convertible notes as a percentage of the net proceeds to the issuer from the sale of the convertible notes, as well as the amount of that resulting percentage averaged over the term of the convertible notes.

The percentage computation methodology utilized considers the following factors:

· the gross proceeds paid or payable to the Company in connection with the CAMOFI Purchase Agreement;

· all payments that have been made or that may be required to be made the Company

· the resulting net proceeds to the Company; and

· the combined total possible profit to be realized by the investors as a result of any conversion discounts regarding the securities underlying the convertible notes and any other warrants, options, notes, or other securities of the Company that are held by the selling shareholders or any affiliates of the selling shareholders.

The following calculation represent the gross proceeds from the CAMOFI Private Placement, less all total possible payments to selling shareholder:

Gross Proceeds paid to the Company	$	3,500,000
Less all cash payments made or that may be required to be made by the Company (not including principal repayments)	$	1,263,956
Less fair market value of securities possible payments to the selling shareholders	$	3,181,410
Net Loss to the Company	$	(945,366)
Percentage of the total amount of all possible payments divided by the net proceeds to the Company from the sale of the convertible notes		-434%
Percentage averaged over the term of the convertible notes (3 year term)		-145%
Percentage of the total possible discount (premium) to the market price of the shares underlying the convertible note divided by the net proceeds to the issuer from the sale of the convertible notes		-29%
Percentage averaged over the term of the convertible notes (3 year term)		-29%

Prior transactions with the Selling Stockholder:

There were no prior transactions between the Company and the selling stockholder, any affiliates of the selling stockholder or any person with whom the selling stockholder has a contractual relationship regarding the transaction.

Comparative disclosure:

The number of shares outstanding prior to the convertible debenture transaction that are held by persons other than the selling stockholders, affiliates of the Company and affiliates of the selling stockholders	8,827,273
The number of shares registered for resale by the selling stockholders or affiliates of the selling stockholders in prior registration statements	0
The number of shares registered for resale by the selling stockholders that continue to be held by the selling stockholders or affiliates of the selling stockholders	0

The number of shares that have been sold in registered resale transactions by the selling stockholders or affiliates of the selling stockholders	0
The number of shares registered for resale on behalf of the selling stockholders in the current transaction	3,000,000

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Company's Financial Ability to Satisfy its Obligations to the Selling Shareholders

The Company has the intention, and a reasonable basis to believe that it will have the financial ability, to make payments on the overlying securities. The Company has duly accounted for such payments in its 2007 - 2009 comprehensive strategy and financial plan.

Existing Short Positions By Selling Shareholders

Based upon information provided by the selling shareholders, to the best of management's knowledge, the Company is not aware of any of the selling shareholders having an existing short position in the Company's common stock.

Relationships Between the Company and Selling Shareholders and Affiliates

The Company hereby confirms that a description of the relationships and arrangements between and among those parties already is presented in the prospectus and that all agreements between and/or among those parties are included as exhibits to the registration statement by incorporation by reference.

RISK FACTORS

This investment has a high degree of risk. Before you invest you should carefully consider the risks and uncertainties described below and the other information in this prospectus. If any of the following risks actually occur, our business, operating results and financial condition could be harmed and the value of our stock could go down. This means you could lose all or a part of your investment. There are a number of factors that are not identified herein that could have a negative effect. Among the factors that could cause actual results to differ materially are the following:

- adverse changes in the conditions in the specific markets for our products;
- visibility to, and the actual size and timing of, capital expenditures by our customers;
- inventory practices, including the timing of deployment, of our customers;
- adverse changes in the public and private equity and debt markets and the ability of our customers and suppliers to obtain financing or to fund capital expenditures;
- adverse changes in the credit ratings of our customers and suppliers;
- a general downturn in the overall economy;
- a decline in government defense funding that lowers the demand for defense equipment and retrofitting;
- competitive pricing and availability of competitive products; and
- adverse changes in the ability of the company to obtain financing or to fund capital expenditures, mergers and acquisitions or growth.

RISKS RELATING TO OUR COMPANY

WE HAVE INCURRED LOSSES IN THE PAST AND HAVE A LIMITED OPERATING HISTORY ON WHICH TO BASE AN EVALUATION OF OUR PROSPECTS, WHICH CAN HAVE A DETRIMENTAL EFFECT ON THE LONG-TERM CAPITAL APPRECIATION OF OUR STOCK.

We have a limited operating history on which to base an evaluation of our business and prospects. For the three months ended June 30, 2007 and 2006, we had net loss of $(524,928) and, a net income of $346,793, respectively. As of June 30, 2007, we had an accumulated deficit of $(8,316,657). We cannot give any assurance that we will generate significant revenue or always have profits.

THERE CAN BE NO ASSURANCE THAT WE WILL ACHIEVE PROFITABILITY.

There can be no assurance that we will achieve profitability. Our revenues and operating results may fluctuate from quarter to quarter and from year to year due to a combination of factors, including, but not limited to, cost of production and volume of sales. There can be no guarantee that we will be able to achieve profitability on a quarterly or annual basis. If we do not achieve profitability, our business will be adversely affected and investors may lose all or substantially all of their investment.

WE ARE DEPENDENT UPON A FEW KEY PERSONNEL AND THEIR LOSS MAY NEGATIVELY IMPACT OUR RESULTS FROM OPERATIONS

Our ability to operate our businesses and implement our strategies depends, in part, on the efforts of our executive officers and other key employees particularly Messrs. Duquette and Czikmantori. In addition, our future success will depend on, among other factors, our ability to attract and retain qualified personnel, particularly research professionals, technical sales professionals and engineers. The loss of the services of any key employee or the failure to attract or retain other qualified personnel could have a material adverse effect on our business or business prospects.

WE MAY BE EXPOSED TO PRODUCT LIABILITY AND WARRANTY CLAIMS

We may be exposed to product liability and warranty claims in the event that the use of our products results, or is alleged to result, in bodily injury and/or property damage or our products actually or allegedly fail to perform as expected. While we maintain insurance coverage with respect to certain liability claims, we may not be able to obtain such insurance on acceptable terms in the future, if at all, and any such insurance may not provide adequate coverage against product liability claims. In addition, product liability claims can be expensive to defend and can divert the attention of management and other personnel for significant periods of time, regardless of the ultimate outcome. An unsuccessful defense of a product liability claim could have an adverse affect on our business, results of operations and financial condition and cash flows. Even if we are successful in defending against a claim relating to our products, claims of this nature could cause our customers to lose confidence in our products and our company. Warranty claims are not covered by insurance, and we may incur significant warranty costs in the future for which we would not be reimbursed.

WE RELY ON EXTERNAL FINANCING TO MEET OUR CASH REQUIREMENTS

In February 2006, we received $3,500,000 in debt financing from CAMOFI. However we will continue to rely upon external financing sources to meet the cash requirements of our ongoing operations. In the future, we may be required to raise additional funds, particularly if we exhaust the funds advanced under that agreement, are unable to generate positive cash flow as a result of our operations and are required to repay the convertible debentures as a result of CAMOFI's failure to convert the debentures into common stock. To the extent that we are unable to raise sufficient capital, our business plan will require substantial modification and our operations curtailed. These conditions raise substantial doubt about our ability to continue as a going concern. Our continuation as a going concern is dependent upon our ability to ultimately attain profitable operations, generate sufficient cash flow to meet our obligations, and obtain additional financing as may be required.

WE MAY NEED SIGNIFICANT INFUSIONS OF ADDITIONAL CAPITAL, WHICH MAY RESULT IN DILUTION TO YOUR OWNERSHIP AND VOTING RIGHTS IN US.

Based upon our current cash reserves and forecasted operations, we may need to obtain outside funding to implement our plan of operation over the next twelve months. Our need for additional capital to finance our business strategy, operations, and growth will be greater should, among other things, revenue or expense estimates prove to be incorrect. If we fail to arrange for sufficient capital in the future, we may be required to reduce the scope of our business activities until we can obtain adequate financing. We may not be able to obtain additional financing in sufficient amounts or on acceptable terms when needed, which could adversely affect our operating results and prospects and force us to curtail our business operations. Debt financing must be repaid regardless of whether or not we generate profits or cash flows from our business activities. Equity financing may result in dilution to existing stockholders. If we do not receive funding at lower prices, this will have a dilutive effect on the value of our securities issued at higher prices. Further, the sale, or potential sale of large amounts of our securities will, in all likelihood, have a depressive effect on the price of our securities which will affect the value of your investment.

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OUR AUDITORS HAVE INCLUDED A GOING CONCERN MATTER IN THEIR OPINION

Our auditors opinion regarding our financial statements includes concerns about our ability to continue as a going concern, which contemplates among other things, the realization of assets and satisfaction of liabilities in the normal course of business. These concerns arise from the fact that for the six months ended June 30, 2007 we had a net loss of approximately $536,000, and an accumulated deficit of approximately $8,300,000. These factors raise substantial doubt about our ability to continue as a going concern. We intend to fund our operations through anticipated increased sales. If we are unable to continue as a going concern, you may lose your entire investment.

WE MAY BE SUBJECT TO FINES, SANCTIONS AND/OR PENALTIES OF AN INDETERMINABLE NATURE AS A RESULT OF POTENTIAL VIOLATIONS OF FEDERAL SECURITIES LAWS.

We may have taken certain action subsequent to the filing of this registration statement that may cause the private placement offering to CAMOFI to be deemed to have been incomplete and not yet “come to rest” at the time of the filing. These actions may be inconsistent with Section 5 of the Securities Act of 1933, as amended, and we may be subject to fines, sanctions and/or penalties of an indeterminable nature as a result of potential violations of federal securities laws. If we are assessed fines and penalties our business will be materially affected and we may be forced to curtain our operations.

RISKS RELATING TO OUR COMMON STOCK

IF WE FAIL TO REMAIN CURRENT ON OUR REPORTING REQUIREMENTS, WE COULD BE REMOVED FROM THE OTC BULLETIN BOARD WHICH WOULD LIMIT THE ABILITY OF BROKER-DEALERS TO SELL OUR SECURITIES AND THE ABILITY OF STOCKHOLDERS TO SELL THEIR SECURITIES IN THE SECONDARY MARKET.

Companies trading on the OTC Bulletin Board, such as us, must be reporting issuers under Section 12 of the Securities Exchange Act of 1934, as amended, and must be current in their reports under Section 13, in order to maintain price quotation privileges on the OTC Bulletin Board. If we fail to remain current on our reporting requirements, we could be removed from the OTC Bulletin Board. As a result, the market liquidity for our securities could be severely adversely affected by limiting the ability of broker-dealers to sell our securities and the ability of stockholders to sell their securities in the secondary market.

OUR COMMON STOCK IS SUBJECT TO THE "PENNY STOCK" RULES OF THE SEC AND THE TRADING MARKET IN OUR SECURITIES IS LIMITED, WHICH MAKES TRANSACTIONS IN OUR STOCK CUMBERSOME AND MAY REDUCE THE VALUE OF AN INVESTMENT IN OUR STOCK.

The Securities and Exchange Commission has adopted Rule 15g-9 which establishes the definition of a "penny stock," for the purposes relevant to us, as any equity security that has a market price of less than $5.00 per share or with an exercise price of less than $5.00 per share, subject to certain exceptions. For any transaction involving a penny stock, unless exempt, the rules require:

- that a broker or dealer approve a person's account for transactions in penny stocks; and
- the broker or dealer receive from the investor a written agreement to the transaction, setting forth the identity and quantity of the penny stock to be purchased.

In order to approve a person's account for transactions in penny stocks, the broker or dealer must:

- obtain financial information and investment experience objectives of the person; and

- make a reasonable determination that the transactions in penny stocks are suitable for that person and the person has sufficient knowledge and experience in financial matters to be capable of evaluating the risks of transactions in penny stocks.

The broker or dealer must also deliver, prior to any transaction in a penny stock, a disclosure schedule prescribed by the Commission relating to the penny stock market, which, in highlight form:

- sets forth the basis on which the broker or dealer made the suitability determination; and

that the broker or dealer received a signed, written agreement from the investor prior to the transaction. Generally, brokers may be less willing to execute transactions in securities subject to the "penny stock" rules. This may make it more difficult for investors to dispose of our common stock and cause a decline in the market value of our stock.

Disclosure also has to be made about the risks of investing in penny stocks in both public offerings and in secondary trading and about the commissions payable to both the broker-dealer and the registered representative, current quotations for the securities and the rights and remedies available to an investor in cases of fraud in penny stock transactions. Finally, monthly statements have to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks.

OUR SHARE PRICE IS VOLATILE

Our Common Stock has experienced, and may continue to experience, substantial price volatility, particularly as a result of variations between our actual or anticipated financial results and the published expectations of analysts and as a result of announcements by us and our competitors. In addition, the stock market has experienced extreme price fluctuations that have affected the market price of many companies and that have often been unrelated to the operating performance of these companies. A major decline in the capital markets generally, or in the market price of our securities may negatively impact our ability to make future strategic acquisitions, raise capital, issue debt, or retain employees. These factors, as well as general economic and political conditions, may in turn have a material adverse effect the market price of our Common Stock.

RISKS RELATING TO OUR CURRENT FINANCING ARRANGEMENT

THERE ARE A LARGE NUMBER OF SHARES UNDERLYING OUR SECURED CONVERTIBLE NOTES AND WARRANTS THAT MAY BE AVAILABLE FOR FUTURE SALE AND THE SALE OF THESE SHARES MAY DEPRESS THE MARKET PRICE OF OUR COMMON STOCK.

As of October 11, 2007, we had 13,444,656 shares of common stock issued and outstanding, approximately $2,567,000 of convertible notes outstanding that may be converted into an estimated 4,074,603 shares of common stock and outstanding warrants and options to purchase 9,628,728 shares of common stock. All of the shares, including the shares issuable upon conversion of the convertible notes, may be sold without restriction upon effectiveness of a registration statement which includes those shares. The sale of these shares may adversely affect the market price of our common stock.

WE MAY BE REQUIRED TO PAY LIQUIDATED DAMAGES IF THE REGISTRATION STATEMENT OF WHICH THIS PROSPECTUS IS A PART IS NOT DECLARED EFFECTIVE IN A TIMELY MANNER.

The registration rights agreement which we executed in connection with the CAMOFI private placement requires us to have the registration statement declared effective within 90 days of filing. We are currently not in compliance with our obligations to have the registration statement declared effective within 90 days of filing and to respond to comments within 14 calendar days after receipt. If CAMOFI does not agree to grant us a waiver, we may be required to pay liquidated damages equal to 1.5% of the outstanding principal of the Note for each 30 day period or a maximum of 10% of the outstanding principal of the Note and interest thereon in the amount of 20% if we fail to pay any partial liquidated damages with seven days after it becomes payable. While we have previously received a waiver of liquidated damages by CAMOFI, there can be no assurance that we will receive another waiver by CAMOFI. If we are required to pay liquidated damages and cannot pay such damages by the issuance of shares of our common stock this may cause us to deplete our limited working capital and may cause us to curtail our operations.

THE ISSUANCE OF SHARES UPON CONVERSION OF THE CONVERTIBLE NOTES AND EXERCISE OF OUTSTANDING WARRANTS MAY CAUSE IMMEDIATE AND SUBSTANTIAL DILUTION TO OUR EXISTING STOCKHOLDERS.

The issuance of shares upon conversion of the secured convertible notes and exercise of warrants may result in substantial dilution to the interests of other stockholders since the selling stockholders may ultimately convert and sell the full amount issuable on conversion. Although CAMOFI may not convert their secured convertible notes and/or exercise their warrants if such conversion or exercise would cause them to own more than 4.99% of our outstanding common stock, this restriction does not prevent CAMOFI from converting and/or exercising and selling some of their holdings, selling shares of common stock obtained and then converting further. In this way CAMOFI could sell more than this limit while never holding more than this limit.

IF WE ARE REQUIRED FOR ANY REASON TO REPAY OUR OUTSTANDING SECURED CONVERTIBLE NOTES, WE WOULD BE REQUIRED TO DEPLETE OUR WORKING CAPITAL, IF AVAILABLE, OR RAISE ADDITIONAL FUNDS. OUR FAILURE TO REPAY THE SECURED CONVERTIBLE NOTES, IF REQUIRED, COULD RESULT IN LEGAL ACTION AGAINST US, WHICH COULD REQUIRE THE SALE OF SUBSTANTIAL ASSETS.

In February 28, 2006, we entered into a Securities Purchase Agreement for the sale of an aggregate of $3,500,000 principal amount of secured convertible notes. The secured convertible notes are due and payable, with 12% interest, three years from the date of issuance, unless sooner converted into shares of our common stock. In addition, any event of default such as our failure to repay the principal or interest when due, our failure to issue shares of common stock upon conversion by the holder, our failure to timely file a registration statement or have such registration statement declared effective, breach of any covenant, representation or warranty in the Securities Purchase Agreement or related convertible note, the assignment or appointment of a receiver to control a substantial part of our property or business, the filing of a money judgment, writ or similar process against our company in excess of $50,000, the commencement of a bankruptcy, insolvency, reorganization or liquidation proceeding against our company and the delisting of our common stock could require the early repayment of the secured convertible notes, including a default interest rate of 15% on the outstanding principal balance of the notes if the default is not cured with the specified grace period. If we were required to repay the secured convertible notes, we would be required to use our limited working capital and raise additional funds. If we were unable to repay the notes when required, the note holders could commence legal action against us and foreclose on all of our assets to recover the amounts due. Any such action would require us to curtail or cease operations.

IF AN EVENT OF DEFAULT OCCURS UNDER THE SECURITIES PURCHASE AGREEMENT, SECURED CONVERTIBLE NOTES, WARRANTS, SECURITY AGREEMENT OR INTELLECTUAL PROPERTY SECURITY AGREEMENT, THE INVESTORS COULD TAKE POSSESSION OF ALL OUR GOODS, INVENTORY, CONTRACTUAL RIGHTS AND GENERAL INTANGIBLES, RECEIVABLES, DOCUMENTS, INSTRUMENTS, CHATTEL PAPER, AND INTELLECTUAL PROPERTY.

In connection with the Securities Purchase Agreements we entered into in February 2006, we executed a Security Agreement in favor of CAMOFI granting them a first priority security interest in all of our goods, inventory, contractual rights and general intangibles, receivables, documents, instruments, chattel paper, and intellectual property. The Security Agreement states that upon the occurrence of an event of default as defined in the Notes and pursuant to the Security Agreement, the Investors have the right to take possession of the collateral, to operate our business and the business of our subsidiaries using the collateral, and have the right to assign, sell, lease or otherwise dispose of and deliver all or any part of the collateral, at public or private sale or otherwise to satisfy our obligations under these agreements.

FORWARD-LOOKING STATEMENTS

We and our representatives may from time to time make written or oral statements that are "forward-looking," including statements contained in this prospectus and other filings with the Securities and Exchange Commission, reports to our stockholders and news releases. All statements that express expectations, estimates, forecasts or projections are forward-looking statements within the meaning of the Act. In addition, other written or oral statements which constitute forward-looking statements may be made by us or on our behalf. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," "projects," "forecasts," "may," "should," variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions which are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in or suggested by such forward-looking statements. We undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise. Important factors on which such statements are based are assumptions concerning uncertainties, including but not limited to uncertainties associated with the following:

(a) volatility or decline of our stock price;

(b) potential fluctuation in quarterly results;

(c) our failure to earn revenues or profits;

(d) inadequate capital and barriers to raising the additional capital or to obtaining the financing needed to implement its business plans;

(e) inadequate capital to continue business;

(f) changes in demand for our products and services;

(g) rapid and significant changes in markets;

(h) litigation with or legal claims and allegations by outside parties;

(i) insufficient revenues to cover operating costs.

USE OF PROCEEDS

This prospectus relates to shares of our common stock that may be offered and sold from time to time by the selling stockholders. We will not receive any proceeds from the sale of shares of common stock in this offering.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

We are engaged in acquiring, re-manufacturing and selling pre-owned Computer Numerically Controlled ("CNC") machine tools to manufacturing customers. We provide rebuilt, retrofit and remanufacturing services for numerous brands of machine tools.

We also manufacture original equipment CNC large turning lathes and attachments under the trade name Century Turn. CNC machines use commands from onboard computers to control the movements of cutting tools and rotation speeds of the parts being produced. Computer controls enable operators to program operations such as part rotation, tooling selection and tooling movement for specific parts and then store the programs in memory for future use. The machines are able to produce parts while left unattended. Because of this ability, as well as superior speed of operation, a CNC machine is able to produce the same amount of work as several manually controlled machines, as well as reduce the number of operators required; generating higher profits with less re-work and scrap. Since the introduction of CNC tooling machines, continual advances in computer control technology have allowed for easier programming and additional machine capabilities. A vertical turning machine permits the production of larger, heavier and more oddly shaped parts on a machine, which uses less floor space when compared to the traditional horizontal turning machine because the spindle and cam are aligned on a vertical plane, with the spindle on the bottom.

The primary industry segments in which our machines are utilized to make component parts are in aerospace, power generation turbines, military, component parts for the energy sector for natural gas and oil exploration, medical, aerospace and mining fields. We sell our products to customers in the United States, Canada and Mexico.

Over the last several years, we have designed and developed a large horizontal CNC turning lathe with productivity features new to the metalworking industry. We believe that a potential market for the Century Turn Lathe, in addition to the markets mentioned above, is aircraft landing gear.

PLAN OF OPERATIONS

Our current strategy is to expand our customer sales base with our present line of machine products. Plans for expansion are expected to be funded through current working capital from ongoing sales. However, significant growth will require additional funds in the form of debt or equity, or a combination thereof. The Company's growth strategy also includes strategic acquisitions in addition to growing the current business. A significant acquisition will require additional financing

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED JUNE 30, 2007 COMPARED TO JUNE 30, 2006.

Revenues. The Company generated revenues of $2,600,147 for the three months ended June 30, 2007, which was a $302,374 or 13% increase from $2,297,773 for the three months ended June 30, 2006. The increase is the result of higher sales volume and higher selling prices of New Century machines due to improved economic conditions.

Gross Profit. Gross profit for the three months ended June 30, 2007, was $711,002 or 27% of revenues, compared to $806,721, or 35% of revenues for the three months ended June 30, 2006, a 12% decrease. The decrease in gross profit is due to change in product mix for the type of machines in process.

Operating Income. Operating income for the three months ended June 30, 2007, was $192,616 compared to operating income of $360,379 for the three months ended June 30, 2006. The decrease of $167,763 or 47% in operating income is primarily due to approximately $88,000 increase in consulting expenses for public relations and market services, and secondarily to approximately $49,000 increase in salaries.

Interest Expense and Debt Discount Amortization. Interest expense for the three months ended June 30, 2007, was $722,273 compared with $813,110 for the three months ended June 30, 2006. The details of interest expenses for the three months ended June 30, 2007 are presented below:

NEW CENTURY COMPANIES, INC. AND SUBSIDIARY
INTEREST EXPENSES
For the Three Months Ended June 30, 2007 and 2006
(Unaudited)
(Rounded to nearest thousand)

	For the Three Months Ended June 30,		Variance	
	2007	2006	$	%
$3.5 million convertible note				
Amortization of debt discount (non-cash expense)	$ 557,000*	$ 311,000	$ 246,000	79%
Amortization of deferred financing fees (non-cash expense)	90,000	84,000	6,000	7%

Interest on note						
non-cash conversion into stock		74,000		-		
cash payments		-		105,000		
Liquidated damages accrued for failure to register common stock to convertible note holders (non-cash expense)		-		119,000	(119,000)	-100%
$300,000 convertible note						
Amortization of debt discount (non-cash expense)		-		150,000	(150,000)	-100%
Amortization of deferred financing and extension fees (non-cash expense)		-		30,000	(30,000)	-100%
Interest on note		-		14,000	(14,000)	-100%
Interest and adjustments on other notes payable and leases		1,000		1,000	0	0%
Total	$	722,000	$	814,000	$ (92,000)	-11%

* Includes $278,000 of interest expense due to debt discount reduction related to $350,000 conversion of principal of the CAMOFI Note into the Company’s common stock

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RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 2007 COMPARED TO JUNE 30, 2006.

Revenues. The Company generated revenues of $5,785,616 for the six months ended June 30, 2007, which was a $1,787,996 or a 45% increase from $3,997,620 for the six months ended June 30, 2006. The increase is the result of higher sales volume and higher selling prices of New Century machines due to improved market conditions.

Gross Profit. Gross profit for the six months ended June 30, 2007, was $1,896,241 or 33% of revenues, compared to $1,209,960, or 30% of revenues for the six months ended June 30, 2006, a 57% increase. The increase of gross profit is the result of increased sales and higher selling prices.

Operating Income. Operating income for the six months ended June 30, 2007, was $658,582 compared to operating income of $308,589 for the six months ended June 30, 2006. The increase of $349,993 or 113% in operating income is due to the increase in revenues and gross margins as noted above..

Interest Expense and Debt Discount Amortization. Interest expense for the six months ended June 30, 2007 was $1,187,514 compared with $1,208,938 for the six months ended June 30, 2006. The details of interest expense for the six month ended June 30, 2007 are presented below:

NEW CENTURY COMPANIES, INC. AND SUBSIDIARY
INTEREST EXPENSES
For the Six Months Ended June 30, 2007 and 2006
(Unaudited)
(Rounded to nearest thousand)

	For the Six Months Ended June 30, 2007	2006	Variance $	%
$3.5 million convertible note				
Amortization of debt discount (non-cash expense)	$ 848,000	$ 408,000	$ 440,000	108%
Amortization of deferred financing fees (non-cash expense)	179,000	112,000	67,000	60%
Interest on note				
non-cash conversion into stock	74,000	-	74,000	
cash payments	84,000	134,000	(50,000)	-37%
Liquidated damages accrued for failure to register common stock to convertible note holders (non-cash expense)		163,000	(163,000)	-100%
$300,000 convertible note				
Amortization of debt discount (non-cash expense)	-	300,000	(300,000)	-100%
Amortization of deferred financing and extension fees (non-cash expense)	-	59,000	(59,000)	-100%
Interest on note	-	30,000	(30,000)	-100%
Interest and adjustments on other notes payable and leases	2,000	3,000	(1,000)	-33%

Total	$	1,187,000	$	1,209,000	$	(22,000)	-2%

* Includes $278,000 of interest expense due to debt discount reduction related to $350,000 conversion of principal of the CAMOFI Note in to the Company’s common stock

FINANCIAL CONDITION, LIQUIDITY, CAPITAL RESOURCES

The net cash increase of the Company during the six months ended June 30, 2007 was $287,378. The increase is due to net cash provided by operating activities of $807,074, offset by $489,696 net cash used in financing activities, cash used primarily to pay down the Companies notes payable.

For the six months ended June 30, 2007, the cash provided by operating activities was $807,074, compared with $1,032,687 cash used in operating activities in the corresponding period from 2006. The increase in cash provided by operating activities is a result of increased sales.

For the six months ended June 30, 2007, the cash used in financing activities was $489,696, compared with $1,052,686 cash provided by financing activities in the six months ended June 30, 2006. The decrease of cash provided by financing activities is primarily due to $3,800,000 of proceeds from the issuance of two convertible notes in 2006, compared to no cash proceeds from debt or equity in 2007.

RESULTS OF OPERATIONS FOR THE PERIOD ENDED DECEMBER 31, 2006 COMPARED TO DECEMBER 31, 2005.

Revenues. New Century generated revenues of $8,318,959 for the fiscal year ended December 31, 2006, which was a 38% increase from $6,038,459 for the fiscal year ended December 31, 2005. The increase is the result of an increase in sales based on higher selling prices of New Century machines and less availability for competitive machines.

Gross Profit. There was a 10% increase in gross profit for the fiscal year ended December 31, 2006, of $166,228, due to the increased volume of sales and higher selling prices.

Net Loss. Net income decreased to a loss of ($1,051,744) for the fiscal year ended December 31, 2006 compared to net income of $668,359 for the fiscal year ended December 31, 2005. The decrease in net income is primarily attributed to approximately $2,150,000 increase in interest including debt discount amortization and a $910,074 increase in general and administrative expenses, due to bad debt expenses, legal expenses associated with SB2 filings, investor relations cost, and penalties on late payments on accounts payable.

Interest Expense. Interest expense for the fiscal year ending December 31, 2006 increased to $2,363,187, compared to $215,827 for the period ended December 31, 2005. The increase of approximately $2.1 million is primarily the result of $1,320,522 debt discount amortization, $347,980 deferred financing cost, and $300,000 fair value of 1.5 million warrants granted as a consideration for waiver of accrued the liquidated damages, all related to $3.8 million convertible notes issued in the first quarter of 2006.

FINANCIAL CONDITION, LIQUIDITY, CAPITAL RESOURCES

Net cash increase during the fiscal year ended 2006 was $53,318. For the year ended December 31, 2006, the cash provided from financing activities was $1,696,058, compared with $44,730 used cash in financing activities in the prior year. The increase of cash provided by financing activities is primarily due to $3,800,000 proceeds from the issuance of two convertible notes in 2005, compared to no cash proceeds from debt or equity in 2005. No cash was used in or provided by investing activities in 2005 or 2006.

Net cash used in operating activities increase from approximately $84,000 in 2005 to approximately $1,643,000 in 2006. The increase is primarily due to principal and interest repayments on convertible debt. The Company` management believes that the cash flow from operations will be sufficient to meet the Company` capital needs.

GOING CONCERN

The accompanying condensed consolidated financial statements have been prepared assuming the Company will continue as a going concern, which contemplates, among other things, the realization of assets and satisfaction of liabilities in the normal course of business. The Company has an accumulated deficit of approximately $8,300,000. This factor, among others, raises substantial doubt about the Company's ability to continue as a going concern. The Company intends to fund operations through anticipated increased sales along with debt and equity financing arrangements which management believes may be insufficient to fund its capital expenditures, working capital and other cash requirements for the year ending December 31, 2007. Therefore, the Company will be required to seek additional funds to finance its long-term operations. The successful outcome of future activities cannot be determined at this time and there is no assurance that if achieved, the Company will have sufficient funds to execute its intended business plan or generate positive operating results.

In response to these problems, management has taken the following actions:

- The Company continues its aggressive program for selling inventory.
- The Company continues to implement plans to further reduce operating costs.
- The Company is seeking investment capital through the public and private markets.

The condensed consolidated financial statements do not include any adjustments related to recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should the Company be unable to continue as a going concern.

INFLATION AND CHANGING PRICES

The Company does not foresee any adverse effects on its earnings as a result of inflation or changing prices.

REGISTRATION RIGHTS OBLIGATION

On May 1, 2007, the Company entered into an Amended and Restated Registration Rights Agreement (the "2nd Amendment") with CAMOFI, the holder of 12% Senior Secured Convertible Note. Pursuant to the Amendment, CAMOFI agreed to waive any liquidated damages prior to the date of the 2nd Amendment. Also, within 30 days after the date of the 2nd Amendment, the Company agreed to file a registration statement to cover the resale of the shares issuable upon conversion of the CAMOFI Note up to 33% of the Company's issued and outstanding stock, and, in 90 days after the date of filing, to have the registration statement declared effective by the Securities and Exchange Commission.

On July 18, 2007, in view of the Securities and Exchange Commission's (the "SEC") position and interpretation of Rule 415 promulgated by the SEC pursuant to the Securities Act of 1933, as amended, CAMOFI waived its rights to have the Company register 33% of its issued and outstanding shares in the Registration statement that the Company filed on May 31, 2007 (the "Registration Statement"), as required by the May 1, 2007 Amended and Restated Registration Rights Agreement, and agreed to the inclusion of 3,000,000 shares of common stock of the Company representing 27% of the public float of the Company in the Registration Statement. All of the other provisions of the Registration Rights Agreement remained the same. (See Note 5)

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America requires management to make judgments, assumptions and estimates that affect the amounts reported in our consolidated financial statements and the accompanying notes. The amounts of assets and liabilities reported on our balance sheet and the amounts of revenues and expenses reported for each of our fiscal periods are affected by estimates and assumptions, which are used for, but not limited to, the accounting for revenue recognition, accounts receivable, doubtful accounts and inventories. Actual results could differ from these estimates. The accounting policies stated bellow are significantly affected by judgments, assumptions and estimates used in the preparation of the financial statements:

Revenue Recognition

Service revenues are billed and recognized in the period the services are rendered.

The Company accounts for shipping and handling fees and costs in accordance with EITF 00-10 "Accounting for Shipping and Handling Fees and Costs." Such fees and costs incurred by the Company are recorded to cost of goods sold and are immaterial to the operations of the Company.

In accordance with SFAS 48, "Revenue Recognition when Right of Return Exists," revenue is recorded net of an estimate of markdowns, price concessions and warranty costs. Such reserve is based on management's evaluation of historical experience, current industry trends and estimated costs.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin 101 ("SAB 101"), "Revenue Recognition," as amended by SAB No. 104 which outlines the basic criteria that must be met to recognize revenue and provides guidance for presentation of revenue and for disclosure related to revenue recognition policies in financial statements filed with the Securities and Exchange Commission. Management believes that the Company's revenue recognition policy for services and product sales conforms to SAB 101 amended by SAB 104. The Company recognizes revenue of long-term contracts pursuant to SOP 81-1.

Method of Accounting for Long-Term Contracts

The Company uses the percentage-of-completion method of accounting to account for long-term contracts and, therefore, takes into account the cost, estimated earnings and revenue to date on fixed-fee contracts not yet completed. The percentage-of-completion method is used because management considers total cost to be the best available measure of progress on the contracts. Because of inherent uncertainties in estimating costs, it is at least reasonably possible that the estimates used will change within the near term.

The amount of revenue recognized at the statement date is the portion of the total contract price that the cost expended to date bears to the anticipated final cost, based on current estimates of cost to complete. It is not related to the progress billings to customers. Contract costs include all materials, direct labor, machinery, subcontract costs and allocations of indirect overhead.

Because long-term contracts may extend over a period of time, changes in job performance, changes in job conditions and revisions of estimates of cost and earnings during the course of the work are reflected in the accounting period in which the facts that require the revision become known. At the time a loss on a contract becomes known, the entire amount of the estimated ultimate loss is recognized in the consolidated financial statements.

Contracts that are substantially complete are considered closed for consolidated financial statement purposes. Revenue earned on contracts in progress in excess of billings (under billings) is classified as a current asset. Amounts billed in excess of revenue earned (overbillings) are classified as a current liability.

Inventory

Inventories are stated at the lower of cost or net realizable value. Cost is determined under the first-in, first-out method. Inventories represent cost of work in process on units not yet under contract. Cost includes all direct material and labor, machinery, subcontractors and allocations of indirect overhead. As of June 30, 2007, the company's inventory was determined to be approximately $1,294,000 net, based on approximately $170,000 cost of labor, $879,000 cost of materials, $89,000 cost of subcontracted services, $442,000 overhead cost, offset by a $286,000 reserve for estimated markdowns on inventory costs.

Classification Of Warrant Obligation

In connection with the issuance of the 12% Senior Secured Convertible Notes, the Company has an obligation to file registration statements covering the Registrable Securities underlying the warrants issued in connection with the convertible note, as defined in the Amended and 2nd Amended Registration Rights Agreements. We evaluated the warrants in accordance with SFAS 133, “Accounting for Derivative Instruments and Hedging Activities” and EITF 00-19, “Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock”, and concluded that the warrants meet all the criteria required to be classified as equity.

Other Significant Accounting Policies

Other significant accounting policies not involving the same level of measurement uncertainties as those discussed above, are nevertheless important to an understanding of the financial statements. The policies related to consolidation and loss contingencies require difficult judgments on complex matters that are often subject to multiple sources of authoritative guidance. Certain of these matters are among topics currently under reexamination by accounting standards setters and regulators. Although no specific conclusions reached by these standards setters appear likely to cause a material change in our accounting policies, outcomes cannot be predicted with confidence. Also see Note 1 of Notes to Consolidated Financial Statements, Summary of Significant Accounting Policies, which discusses accounting policies that must be selected by management when there are acceptable alternatives.

BUSINESS

SUMMARY

We are engaged in acquiring, re-manufacturing and selling pre-owned Computer Numerically Controlled ("CNC") machine tools to manufacturing customers. We provide rebuilt, retrofit and remanufacturing services for numerous brands of machine tools.

We also manufacture original equipment CNC large turning lathes and attachments under the tradename Century Turn. CNC machines use commands from onboard computers to control the movements of cutting tools and rotation speeds of the parts being produced. Computer controls enable operators to program operations such as part rotation, tooling selection and tooling movement for specific parts and then store the programs in memory for future use. The machines are able to produce parts while left unattended. Because of this ability, as well as superior speed of operation, a CNC machine is able to produce the same amount of work as several manually controlled machines, as well as reduce the number of operators required; generating higher profits with less re-work and scrap. Since the introduction of CNC tooling machines, continual advances in computer control technology have allowed for easier programming and additional machine capabilities. A vertical turning machine permits the production of larger, heavier and more oddly shaped parts on a machine, which uses less floor space when compared to the traditional horizontal turning machine because the spindle and cam are aligned on a vertical plane, with the spindle on the bottom.

The primary industry segments in which our machines are utilized to make component parts are in aerospace, power generation turbines, military, component parts for the energy sector for natural gas and oil exploration , medical, aerospace and mining fields.. We sell our products to customers in the United States, Canada and Mexico.

Over the last four years, we have designed and developed a large horizontal CNC turning lathe with productivity features new to the metalworking industry. We believe that a potential market for the Century Turn Lathe, in addition to the markets mentioned above, is aircraft landing gear.

We are also engaged in assembling sound-wall modules made from Quilite(R), a lightweight, graffiti resistant concrete alternative used in freeway sound barriers and in other sound absorbing structures and non-weight bearing applications where privacy or screening is necessary.

Corporate History

On May 25, 2001, the Company entered into a merger with New Century Remanufacturing, Inc. Pursuant to the merger, all of the outstanding shares of New Century Remanufacturing, Inc., a California corporation, were exchanged for shares of the Company on a 1/833.33 basis. After the reverse merger, the Company changed its name to New Century Companies, Inc.

PRODUCTS

Remanufactured Machines

Our machine tools services are provided to a variety of customers, where the machine remanufacturing typically consists of replacing all components (CASTINGS), realigning the machine, adding updated CNC capability, and electrical and mechanical enhancements. Machines, which create circular products, are all within the scope' of our machines' capabilities. Our machines (Horizontal Turning Lathes, Vertical Turning Lathes, Vertical Boring Mills, and Horizontal Boring Mills etc.) are used to manufacture jet-engine components; airplane landing gear parts; power generation equipment; oil and gas production components; construction materials; casks that store nuclear materials; and bearings for windmills, turrets, guns, or torpedo tubes in submarines and ship vessels and countless other parts.

The machines take raw steel, which in its natural shape needs to be refined into a specific round part, and by utilizing a computer-directed tool, shapes the steel into very precise measurements. Once completed within two to four months, a remanufactured machine becomes a "like new," state-of-the-art machine, which often contains more iron ore and superior standards of strength than a new machine, at a price substantially less than that of a new machine. We pass these savings on to our customers, which include such manufacturers as General Electric Co., General Dynamics Corp., Siemens AG and Gardner Denver Inc.

New Machines (Century Turn)

We manufacture original equipment under our "Century Turn" brand name. Century Turn products include, but are not limited to lathes and vertical boring mills. These machines are used to machine products such as landing gear and machine valve bodies.

Growth Strategy

Our goal is to become a leading provider of high precision Computer Numerically Controlled turning centers through organic growth as well as through strategic acquisitions

We market our products and services primarily through direct sales and independent distributors throughout the U S Canada and Mexico. We also intend to advertise our products and services in the industrial trade publications, industry trade shows, and on the Internet. Our focus is also to increase the sales of our proprietary "new" horizontal boring mills and remanufactured vertical boring mills. Our "new" vertical boring mills are designed around our proprietary tooling changer that allows the machinist to utilize a wider range of lighter weight tooling heads increasing the efficiency precision and dependability of the machine and ultimately creating a superior and timely finished product.

As a natural extension of our precision machine tool business, we plan to capitalize on numerous opportunities in the fragmented machining industry by implementing a (vertical integration) roll-up strategy, where we could merge with and/or acquire high precision large metal ring manufacturing companies. This strategy is intended to attract the attention of the leading manufacturing companies by ramping up revenue and income. In addition to our organic growth strategies, we also plan to make tactical and accretive acquisitions.

MACHINE TOOL INDUSTRY

We manufacture both new and refurbished machines that are used across a variety of industries. These machines are sold to companies who produce various "round" products and parts in different but extremely precise measurements, depending on the industry. These products can be anything from large jet engines, casks that store nuclear materials, bearings for windmills, turrets, guns, or torpedo tubes in submarines and ship vessels, and more. The machines take raw steel, which in its natural shape needs to be refined into a specific round part, and by utilizing a computer-directed tool, shapes the steel into very precise measurements.

Many measurements must be so precise that when removing the metal, it must be round within 1/10,000 of an inch (approximately the equivalent of splitting an average hair 30 times). The machines must be able to repeatedly furnish these precise measurements for its products. For example, a jet engine must be precise to 1/10,000 of an inch due to the speed at which it operates. The engine, when in use, is going over 10,000 revolutions per minute (rpms). If the engine itself were not perfectly round, it would vibrate and could detach from the aircraft.

We service companies such as General Electric, Rolls Royce, Pratt & Whitney (and all of these companies' respective sub-tier support contractors), who are manufacturers of the jet engines. These companies specify the dimensions and we employ our large machines to create the parts. We have larger machines, which span approximately 25 feet in diameter, and are used primarily for the housings that go around nuclear reactors on submarines or aircraft carriers.

Employees

At October 11, 2007, we had approximately 40 full time employees working in the following departments: shop, clerical, engineering and management.

None of our employees are represented by a labor union or covered by a collective bargaining agreement. We have not experienced work stoppages and consider our employee relations to be good. Our business is not highly automated and we do not outsource specialized, repetitive functions such as cash delivery and security. As a result, our labor requirements for operation of the network are relatively modest.

DESCRIPTION OF PROPERTY

We lease our headquarters in Santa Fe Springs, California, which expires on December 31, 2007, and conduct our operations at such facilities. We believe that our facilities are in good condition and provide adequate capacity to meet our needs for the foreseeable future.

The following table sets forth certain information relating to the Company's principal facilities:

LOCATION	PRINCIPAL USES	APPROX SQ. FT.
9835 Santa Fe Springs Rd. Santa Fe Springs, CA 90670	Manufacturing	44,000

LEGAL PROCEEDINGS

We may be involved from time to time in various claims, lawsuits, disputes with third parties, actions involving allegations of discrimination or breach of contract actions incidental in the normal course of business operations. We are currently not involved in any such litigation or any pending legal proceedings that management believes could have a material adverse effect on our financial position or results of operations.

MANAGEMENT

The following table and text sets forth the names and ages of all directors and executive officers of the Company and the key management personnel as of December 31, 2006. The Board of Directors of the Company is comprised of only one class. All of the directors will serve until the next annual meeting of stockholders and until their successors are elected and qualified, or until their earlier death, retirement, resignation or removal. Executive officers serve at the discretion of the Board of Directors, and are appointed to serve until the first Board of Directors meeting following the annual meeting of stockholders. Also provided is a brief description of the business experience of each director and executive officer and the key management personnel during the past five years and an indication of directorships held by each director in other companies subject to the reporting requirements under the Federal securities laws.

NAME	AGE	POSITION
David Duquette	63	Chairman of the Board, Chief Executive Officer, Chief Financial President and Director
Josef Czikmantori	56	Secretary and Director

DAVID DUQUETTE. Mr. Duquette has served as the Chairman of the Board, President, Chief Financial Officer and Director of the Company since May 25, 2001. Mr. Duquette has been in the CNC machine tool manufacturing and remanufacturing business since 1967. From 1962 to 1965, he studied Electrical Engineering at the University of Wisconsin. Mr. Duquette founded New Century Remanufacturing in 1996. Prior to that year, he managed Orange Coast Rebuilding for approximately 8 years. Mr. Duquette was President of U.S. Machine Tools from 1969 to 1985.

JOSEF CZIKMANTORI. Mr. Czikmantori has served as Secretary and Director of the Company since May 25, 2001. Mr. Czikmantori was born in Romania. He completed 3 years of Technical College in Romania and then worked for United Machine Tool, which manufactured metal cutting machinery. He joined Mr. David Duquette at Orange Coast Machine Tools. He is a co-founder of New Century Remanufacturing. Directors receive no compensation for serving on the Board of Directors.

FAMILY RELATIONSHIPS

There are no family relationships between or among the directors, executive officers or persons nominated or charged by the Company to become directors or executive officers.

INVOLVEMENT IN LEGAL PROCEEDINGS.

To the best of the Company's knowledge, during the past five years, none of the following occurred with respect to a present or former director or executive officer of the Company: (1) any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time; (2) any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses); (3) being subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of any competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; and (4) being found by a court of competent jurisdiction (in a civil action), the SEC or the Commodities Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended or vacated.

CODE OF ETHICS

The Company management communicates values and ethical standards during company wide meetings. Such standards are outlined in the human resource manual of the company, "Code of Business Practices and Ethics" section.

BOARD COMMITTEES

Because of our size, we presently do not have an audit committee, compensation committee or nominating committee. We are currently in the process of identifying independent audit committee members, including a financial expert and we expect to continue this process in 2007.

EXECUTIVE COMPENSATION

SUMMARY COMPENSATION TABLE

The following Summary Compensation Table sets forth the compensation earned by the Company's Chief Executive Officer and the other executive officer who were serving as such as of December 31, 2006, for services rendered in all capacities for that fiscal year. There no other employees having responsibility for significant policy decisions within the Company.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Option Awards (1) ($)	All Other Compensation ($)	Total ($)
David Duquette,						
Chief Executive Officer,	2006	155,000	0	21,600(2)	0	176,600
Chief Financial Officer	2005	101,273	0	0	0	101,273
and President	2004	180,000	0	0	0	180,000
Josef Czikmantory						
Vice President,	2006	88,350	0	10,800(3)	0	99,150
Secretary Officer	2005	25,650	0	0	0	25,650
	2004	76,950	0	0	0	76,950

(1) Valuation based on the dollar amount of option grants recognized for financial statement reporting purposes pursuant to FAS 123(R) with respect to 2006.

(2) Mr. David Duquette received a stock option grant of 1,000,000 shares on November 13, 2006 at an exercise price of $0.20 per share, none of which were vested and exercisable as of December 31, 2006.

(3) Mr. Josef Czikmantory received a stock option grant of 500,000 shares on November 13, 2006 at an exercise price of $0.20 per share, none of which were vested and exercisable as of December 31, 2006.

2006 GRANTS OF PLAN-BASED AWARDS TABLE

Name	Grant Date	Estimated Future Payouts Under Equity Incentive Plan Awards Threshold ($) (1)	Target ($) (2)	Maximum ($) (3)	Exercise or Base Price of Option Awards ($ / Sh)	Closing Price on Grant Date ($ / Sh)	Grant Date Fair Value of Stock and Option Awards ($)
David Duquette	**09/12/03**	72,000	-	100,000	0.25	-	0.18
	11/13/06	158,400	158,400	178,400	0.20	0.18	0.18
Josef Czikmantory	**09/12/03**	27,000	-	37,500	0.25	-	0.18

	11/13/06	79,200	169,200	189,200	0.20	0.18	0.18

(1) December 31, 2006 remaining compensation expense of options evaluated using fair value at grant date.

(2) December 31, 2006 remaining compensation expense of options evaluated using closing price on grant date.

(3) December 31, 2006 unexercised options valued at exercise price of options.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

Name	Number of Securities Underlying Unexercised Options (#) (1) Exercisable	Number of Securities Underlying Unexercised Options (#) (2) Unexercisable	Option Awards Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date
David Duquette					
	400,000	0	0	0.25	09/12/08
	0	1,000,000	0	0.20	11/13/11
Josef Czikmantory					
	150,000	0	0	0.25	09/12/08
	0	500,000	0	0.20	11/13/11

(1) These options were fully vested as of December 31, 2006.

(2) These options will vest in one installment on December 1, 2007.

Pension Benefits

We do not sponsor any qualified or non-qualified defined benefit plans.

Nonqualified Deferred Compensation

We do not maintain any non-qualified defined contribution or deferred compensation plans.

LONG-TERM INCENTIVE PLANS

As of December 31, 2006 there is no long-term incentive plan.

The Company has no employment agreements with its executive officers.

STOCK OPTIONS AND WARRANTS

Under the terms of the Company's Incentive Stock Option Plan ("ISOP"), options to purchase an aggregate of 5,000,000 shares of common stock may be issued to key employees, as defined. The exercise price of any option may not be less than the fair market value of the shares on the date of grant. No options granted may be exercisable more than 10 years after the date of grant. The options granted generally vest evenly over a one-year period, beginning from the date of grant.

Under the terms of the Company's non-statutory stock option plan ("NSSO"), options to purchase an aggregate of 1,350,000 shares of common stock may be issued to non-employees for services rendered. These options are non-assignable and non-transferable, are exercisable over a five-year period from the date of grant, and vest on the date of grant.

During the year ended December 31, 2006, the Company granted 2,000,000 stock options under the terms of the Company's Incentive Stock Option Plan ("ISOP"). Also, the Company granted 6,371,455 warrants, related to financing activities or consulting services.

The following is a status of the stock options and warrants outstanding at December 31, 2006 and the changes during the two years then ended:

	Year Ended December 31, 2006		Year Ended December 31, 2005	
	Options and Warrants	Weighted Average Price	Options and Warrants	Weighted Average Price
Outstanding, beginning of year	1,468,500	$ 0.40	1,711,583	$ 1.75
Granted	8,371,455	$ 0.48	-	-
Exercised	-	-	-	-
Cancelled/Terminated	(186,227)	(0.87)	(243,083)	(9.88)
Total Outstanding, end of year	9,653,728	$ 0.46	1,468,500	$ 0.40
Exercisable	7,653,728	0.53	1,468,500	0.40

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The following table summarizes information related to stock options outstanding at December 31, 2006:

	Equity Compensation Plan Information		
	Number Of Securities To Be Issued Upon Exercise Of Outstanding Options, Warrants And Rights (A)	Weighted-Average Exercise Price Of Outstanding Options, Warrants And Rights (B)	Number Of Securities Remaining Available For Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected In Column(A)) (C)
Equity compensation plans approved by security holders	3,250,000	0.25	1,750,000
Equity compensation plans not approved by security holders	6,403,728	0.57	—
Total	9,653,728	0.46	1,750,000

From time to time, the Company issues warrants to employees and to third parties pursuant to various agreements, which are not approved by the shareholders.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

NOTES RECEIVABLE FROM STOCKHOLDERS

As of December 31, 2006, the Company had loans to its officers for $525,402, including accrued interest. The loans accrue interest at 6% and are due on demand. The Company has reclassified the notes receivable from stockholders to stockholders' equity as such amounts have not been repaid during the current year. The stockholders have shown the ability to repay the loans and intend on repaying such amounts in the future. For each of the years ended December 31, 2006 and 2005, total interest income from notes receivable from stockholders approximated $20,000.

MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our common stock trades on the Over-The-Counter Bulletin Board under the symbol "NCNC.OB". The following table sets forth the high and low bid prices for the shares of common stock as reported on the Over-The-Counter Bulletin Board for each quarterly period of the last two fiscal years. The bid prices listed below represent prices, adjusted for stock splits, between dealers without adjustments for retail markups, breakdowns or commissions and may not represent actual transactions.

For Year Ended 2005

	HIGH	LOW
March 31	$ 0.51	$ 0.15
June 30	0.33	0.13

September 30	0.73	0.21
December 31	0.77	0.38

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For Year Ended 2006

		HIGH		LOW
March 31	$	0.87	$	0.53
June 30		1.21		0.45
September 30		0.66		0.38
December 31				

For Year Ended 2007

		HIGH		LOW
March 31	$	0.48	$	0.20
June 30		0.87		0.32
September 30		0.80		0.315

We have not declared any cash dividends on our common stock since inception. Declaration of dividends with respect to the common stock is at the discretion of our Board of Directors. Any determination to pay dividends will depend upon the financial condition, capital requirements, results of operations and other factors deemed relevant by the Board of Directors.

At October 11, 2007, we had approximately 1,500 shareholders of our common stock. This figure does not include beneficial holders or common stockholder's nominee co-trust name, as we cannot accurately estimate the number of these beneficial holders.

The transfer agent and registrar for our common stock is U.S. Stock Transfer, Los Angeles, California.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth the number of shares of common stock beneficially owned as of October 11, 2007 by (i) those persons or groups known to the Company who will beneficially own more than 5% of the Company's common stock; (ii) each director and director nominee; (iii) each executive officer; and, (iv) all directors and executive officers as a group. The information is determined in accordance with Rule 13(d)-3 promulgated under the Exchange Act based upon information furnished by persons listed or contained in filings made by them with the Securities and Exchange Commission by information provided by such persons directly to the Company. Except as indicated below, the stockholders listed possess sole voting and investment power with respect to their shares.

NAME OF BENEFICIAL OWNER	NO. OF SHARES		PERCENTAGE OF OWNERSHIP
David Duquette	1,433,334	(1)	11%
Josef Czikmantori	650,000		5%
Officers and Directors as a Group (2 persons)	2,083,334	(2)	15%

Based on 13,444,656 shares outstanding. Common stock subject to options or warrants that are currently exercisable or exercisable within 60 days of October 11, 2007 are deemed to be outstanding and to be beneficially owned by the holder thereof for the purpose of computing the percentage ownership of such person but are not treated as outstanding for the purpose of computing the percentage ownership of any other person.

(1) Includes options to purchase 400,000 shares (ISOP) exercisable at a price of $0.25 per share and which expire on September 12, 2008.

(2) Includes options to purchase 150,000 shares (ISOP) exercisable at price of $0.25 per share and which expire on September 12, 2008.

SELLING STOCKHOLDERS

The table below sets forth information concerning the resale of the shares of common stock by the selling stockholders. We will not receive any proceeds from the resale of the common stock by the selling stockholders. We will receive proceeds from the exercise of the warrants. Assuming all the shares registered below are sold by the selling stockholders, none of the selling stockholders will continue to own any shares of our common stock.

The following table also sets forth the name of each person who is offering the resale of shares of common stock by this prospectus, the number of shares of common stock beneficially owned by each person, the number of shares of common stock that may be sold in this offering and the number of shares of common stock each person will own after the offering, assuming they sell all of the shares offered.

Name	Beneficial Ownership Before the Offering (1)	Percentage of Common Stock Owned before the Offering (1)	Shares of Common Stock Included in the Prospectus	Beneficial Ownership after the Offering(2)	Percentage of Common Stock Owned after the Offering (2)
CAMOFI Master LDC (3)	670,888	4.99%	3,000,000	-0-	-0-%

(1) Applicable percentage ownership is based on 13,444,656 shares of common stock issued as of October 11, 2007. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Shares of common stock that are currently exercisable or exercisable within 60 days of October 11, 2007 are deemed to be beneficially owned by the person holding such securities for the purpose of computing the percentage of ownership of such person, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person. For purposes of calculating CAMOFI’s beneficial ownership, the number reflected in the table does not include (i) 4,154,815 shares that may be issuable upon conversion of the principal and interest of CAMOFI Note; (ii) 3,476,190 shares issuable upon exercise of warrants at an exercise price of $0.63, which expire on February 28, 2013; and (iii) 1,500,000 shares of common stock issuable upon exercise of warrants at an exercise price of $0.35 which expire on December 19, 2013. Pursuant to provisions in the convertible debentures and the warrants, CAMOFI's beneficial ownership of our common stock is limited to 4.99% of the total outstanding, which limitation may only be waived upon 61-day notice.

(2) Beneficial ownership after the offering assumes that all securities registered will be sold and that all shares of common stock underlying outstanding warrants will be issued.

(3) Richard Smithline serves as a director of CAMOFI Master Fund LDC and holds final voting and investment power over securities owned by it. Represents 3,000,000 shares issuable for conversion of principal on 12% Senior Convertible Note dated February 28, 2006 (the “Senior Convertible Note”), representing approximately 27% of the Company’s public float in accordance with the second Amended and Restated Registration Rights Agreement dated December 19, 2006 and July 18, 2007 waiver. The Selling Stockholder is not a registered broker-dealer under Section 15 of the Securities Exchange Act of 1934, as amended or an affiliate of a broker-dealer.

The number of shares included in this prospectus was determined by the Company and the Selling Stockholders through arms length discussions. The Company has made payments of principal and interest to CAMOFI in the aggregate amount of $1,638,000. The Company currently intends to repay the entire principal balance on the

CAMOFI Note. While the CAMOFI Note is convertible at the option of CAMOFI, based upon the conversion price and the current market price of the Company's common stock, the Company has made a good faith estimate of the number of shares it believes will be converted into shares of the Company's common stock and accordingly is including 3,000,000 shares of its common stock in this prospectus to allow for conversions under the CAMOFI Note. The parties also considered the SEC's current interpretation and application of Rule 415 in its determination as to the number of shares to be included herewith. The parties also took into consideration the fact the CAMOFI Note was issued more than one year ago which would satisfy the holding period requirement under Rule 144(e) in the event CAMOFI opts to convert some portions of the CAMOFI Note and receive restricted stock.

DESCRIPTION OF SECURITIES

COMMON STOCK

The authorized capital stock of the Company includes 50,000,000 shares of $.10 par value Common Stock. All shares have equal voting rights. Voting rights are not cumulative, and, therefore, the holders of more than 50% of the Common Stock of the Company could, if they chose to do so, elect all of the Directors.

Upon liquidation, dissolution or winding up of the Company, the assets of the Company, after the payment of liabilities and any distributions to the holders of outstanding shares of Series C Convertible Preferred Stock, will be distributed pro rata to the holders of the Common Stock. The holders of the Common Stock do not have preemptive rights to subscribe for any securities of the Company and have no right to require the Company to redeem or purchase their shares.

Holders of Common Stock are entitled to share equally in dividends when, as and if declared by the Board of Directors of the Company, out of funds legally available therefor. The Company has not paid any cash dividends on its Common Stock, and it is unlikely that any such dividends will be declared in the foreseeable future.

PREFERRED STOCK

The Company has authority to issue 15,075,000 shares of preferred stock, $1.00 par value and 75,000 shares of preferred stock, $25 par value. The preferred stock may be issued in series from time to time with such designation, rights, preferences and limitations as the Board of Directors of the Company may determine by resolution. The rights, preferences and limitations of separate series of preferred stock may differ with respect to such matters as may be determined by the Board of Directors, including, without limitation, the rate of dividends, method and nature of payment of dividends, terms of redemption, amounts payable on liquidation, sinking fund provisions (if any), conversion rights (if any), and voting rights. The potential exists, therefore, that preferred stock might be issued which would grant dividend preferences and liquidation preferences to preferred shareholders. Unless the nature of a particular transaction and applicable statutes require such approval, and subject to the required approval of the Series C Preferred Stockholders for issuances of preferred stock which has liquidation or dividend rights senior to theirs, the Board of Directors has the authority to issue these shares without shareholder approval. The issuance of preferred stock may have the affect of delaying or preventing a change in control of the Company without any further action by shareholders.

SERIES B CONVERTIBLE PREFERRED STOCK

The authorized capital stock of the Company includes 15,150,000 shares of preferred stock of which 15,000,000 shares were designated as Series B 5% Convertible Preferred Stock. Holders of the Preferred Shares will receive, when and if declared by the Board of Directors, a dividend of $1.25 share per annum payable semi-annually in cash. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company, the holders of the Series B Convertible Preferred Stock are entitled to receive out of the assets of the Company available for distribution to its stockholders, before any payment or distribution shall be made on the Common Stock or on the shares of the Series D Preferred Stock, an amount per share equal to $25.00. The holders of Series B Convertible Preferred Stock have no voting rights except that any change to the rights, preference and privilege thereof requires the approval of 2/3 in liquidation amount of the holders .Each share of the Series B Convertible Preferred Stock may be converted at any time into 16.667 shares of the Company's Common Stock. The Conversion Ratio will be subject to adjustment in the event of a stock split of, stock dividend on, or a subdivision, combination or recapitalization of the Common Stock.

SERIES C 5% CONVERTIBLE PREFERRED STOCK

The authorized capital stock of the Company includes 15,150,000 shares of preferred stock of which 75,000 shares were designated as Series C 5% Convertible Preferred Stock. Holders of the Preferred Shares will receive, when as and if declared by the Board of Directors, a dividend of $1.25 share per annum payable semi-annually in cash. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company, the holders of the Series C Convertible Preferred Stock are entitled to receive out of the assets of the Company available for distribution to its stockholders, before any payment or distribution shall be made on the Common Stock or on the shares of the Series C Preferred Stock, an amount per share equal to $25.00. The holders of Series C 5% Convertible Preferred Stock have no voting rights except that any change to the rights, preference and privilege thereof requires the approval of 2/3 in liquidation amount of the holders .

Each share of the Series C Convertible Preferred Stock may be converted at any time into 16.667 shares of the Company's Common Stock representing a Common Stock purchase price of $1.50 per share. The Conversion Ratio will be subject to adjustment in the event of a stock split of, stock dividend on, or a subdivision, combination or recapitalization of the Common Stock. The Preferred Shares will be subject to mandatory conversion on the effective date of the registration statement covering the resale of the Common Shares.

SERIES D 5% CONVERTIBLE PREFERRED STOCK

The authorized capital stock of the Company includes 15,150,000 shares of preferred stock of which 75,000 shares were designated as Series D 5% Convertible Preferred Stock. Subject to Delaware law, holders of the Preferred Shares will receive a dividend of $1.25 share per annum payable semi-annually in cash provided that no payment may be made unless and until all dividends accrued on the Series C Preferred Stock have been paid. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company, the holders of the Series D Convertible Preferred Stock are entitled to receive out of the assets of the Company available for distribution to its stockholders, before any payment or distribution shall be made on the Common Stock (but only after payment on the Series C Preferred Stock), an amount per share equal to $25.00. The holders of Series D 5% Convertible Preferred Stock have the right to vote with the holders of the Common Stock on all matters on an as converted basis voting rights except that any change to the rights, preference and privilege thereof will require the approval of 2/3 in liquidation amount of the holders.

Each share of the Series D Convertible Preferred Stock may be converted at any time into 50 shares of the Company's Common Stock representing a Common Stock purchase price of $.50 per share. The Conversion Ratio will be subject to adjustment in the event of a stock split of, stock dividend on, or a subdivision, combination or recapitalization of the Common Stock. Additionally, the Conversion Ratio will be adjusted if the Company in the future issues shares of Common Stock below $.50 or securities convertible into Common Stock with an exercise conversion price per share below $.50. Any adjustment will be on a "weighted average" basis. The Preferred Shares will be subject to mandatory conversion on the effective date of the registration statement covering the resale of the Common Shares. The holders of the Series D Convertible Preferred Stock will share ratably with the holders of the Series C Preferred Stock upon liquidation, dissolution or winding up of the affairs of the Company.

COMMON STOCK PURCHASE WARRANTS

We currently have 6,403,728 common stock purchase warrants outstanding. The common stock purchase warrants are each exercisable into one share of common stock at the holder's option at various exercise prices and for various periods of duration.

TRANSFER AGENT

Our transfer agent is US Stock Transfer Corporation and their telephone number is (818) 502-1404.

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PLAN OF DISTRIBUTION

Each Selling Stockholder and any of their pledgees, assignees and successors-in-interest selling shares received from the named selling stockholder as a gift, partnership distribution or other non-sale-related transfer after the date of this prospectus (all of whom may be a selling stockholder) may sell the common stock offered by this prospectus from time to time on any stock exchange or automated interdealer quotation system on which the common stock is listed or quoted at the time of sale, in the over-the-counter market, in privately negotiated transactions or otherwise, at fixed prices that may be changed, at market prices prevailing at the time of sale, at prices related to prevailing market prices or at prices otherwise negotiated. These sales may be at fixed or negotiated prices. A Selling Stockholder may use any one or more of the following methods when selling shares:

- ordinary brokerage transactions and transactions in which the broker-dealer solicits Purchaser;
- block trades in which the broker-dealer will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction;
- purchases by a broker-dealer as principal and resale by the broker-dealer for its account;
- an exchange distribution in accordance with the rules of the applicable exchange;
- privately negotiated transactions;
- settlement of short sales entered into after the date of this prospectus;
- broker-dealers may agree with the Selling Stockholders to sell a specified number of such shares at a stipulated price per share;
- a combination of any such methods of sale;
- through the writing or settlement of options or other hedging transactions, whether through an options exchange or otherwise; or
- any other method permitted pursuant to applicable law.

The Selling Stockholders may also sell shares under Rule 144 under the Securities Act of 1933, as amended, if available, rather than under this prospectus.

Broker-dealers engaged by the Selling Stockholders may arrange for other brokers-dealers to participate in sales. Broker-dealers may receive commissions or discounts from the Selling Stockholders (or, if any broker-dealer acts as agent for the purchaser of shares, from the purchaser) in amounts to be negotiated. Each Selling Stockholder does not expect these commissions and discounts relating to its sales of shares to exceed what is customary in the types of transactions involved.

In connection with the sale of our common stock or interests therein, the Selling Stockholders may enter into hedging transactions with broker-dealers or other financial institutions, which may in turn engage in short sales of the common stock in the course of hedging the positions they assume. The Selling Stockholders may also sell shares of our common stock short and deliver these securities to close out their short positions, or loan or pledge the common stock to broker-dealers that in turn may sell these securities. The Selling Stockholders may also enter into option or other transactions with broker-dealers or other financial institutions or the creation of one or more derivative securities which require the delivery to such broker-dealer or other financial institution of shares offered by this prospectus, which shares such broker-dealer or other financial institution may resell pursuant to this prospectus (as supplemented or amended to reflect such transaction).

The Selling Stockholders and any broker-dealers or agents that are involved in selling the shares may be deemed to be "underwriters" within the meaning of the Securities Act in connection with such sales. In such event, any commissions received by such broker-dealers or agents and any profit on the resale of the shares purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act. Each Selling Stockholder has informed us that it does not have any agreement or understanding, directly or indirectly, with any person to distribute the Common Stock.

We are required to pay certain fees and expenses incurred by us incident to the registration of the shares. We have agreed to indemnify the Selling Stockholders against certain losses, claims, damages and liabilities, including liabilities under the Securities Act.

Because Selling Stockholders may be deemed to be "underwriters" within the meaning of the Securities Act, they will be subject to the prospectus delivery requirements of the Securities Act. In addition, any securities covered by this prospectus which qualify for sale pursuant to Rule 144 under the Securities Act may be sold under Rule 144 rather than under this prospectus. Each Selling Stockholder has advised us that they have not entered into any agreements, understandings or arrangements with any underwriter or broker-dealer regarding the sale of the resale shares. There is no underwriter or coordinating broker acting in connection with the proposed sale of the resale shares by the Selling Stockholders.

We agreed to keep this prospectus effective until the earlier of (i) the date on which the shares may be resold by the Selling Stockholders without registration and without regard to any volume limitations by reason of Rule 144(e) under the Securities Act or any other rule of similar effect or (ii) all of the shares have been sold pursuant to the prospectus or Rule 144 under the Securities Act or any other rule of similar effect. The resale shares will be sold only through registered or licensed brokers or dealers if required under applicable state securities laws. In addition, in certain states, the resale shares may not be sold unless they have been registered or qualified for sale in the applicable state or an exemption from the registration or qualification requirement is available and is complied with.

Under applicable rules and regulations under the Exchange Act, any person engaged in the distribution of the resale shares may not simultaneously engage in market making activities with respect to our common stock for a period of two business days prior to the commencement of the distribution. In addition, the Selling Stockholders will be subject to applicable provisions of the Exchange Act and the rules and regulations thereunder, including Regulation M, which may limit the timing of purchases and sales of shares of our common stock by the Selling Stockholders or any other person. We will make copies of this prospectus available to the Selling Stockholders and have informed them of the need to deliver a copy of this prospectus to each purchaser at or prior to the time of the sale.

LEGAL MATTERS

Sichenzia Ross Friedman Ference LLP, New York, New York will issue an opinion with respect to the validity of the shares of common stock being offered hereby.

EXPERTS

Squar, Milner, Peterson, Miranda & Williamson, LLP has audited, as set forth in their report thereon appearing elsewhere herein, our consolidated financial statements as of December 31, 2006, and for the years ended December 31, 2006 and 2005 that appear in the prospectus. The financial statements referred to above are included in this prospectus with reliance upon the auditors' opinion based on their expertise in accounting and auditing.

AVAILABLE INFORMATION

We have filed a registration statement on Form SB-2 under the Securities Act of 1933, as amended, relating to the shares of common stock being offered by this prospectus, and reference is made to such registration statement. This prospectus constitutes the prospectus of our company filed as part of the registration statement, and it does not contain all information in the registration statement, as certain portions have been omitted in accordance with the rules and regulations of the Securities and Exchange Commission. We are subject to the informational requirements of the Securities Exchange Act of 1934 that require us to file reports, proxy statements and other information with the Securities and Exchange Commission. Such reports, proxy statements and other information may be inspected at public reference facilities of the SEC at 100 F Street N.E., Washington D.C. 20549. Copies of such material can be obtained from the Public Reference Section of the SEC at Judiciary Plaza, 450 Fifth Street N.W., Washington, D.C. 20549 at prescribed rates. The public could obtain information on the operation of the public reference room by calling the Securities and Exchange Commission at 1-800-SEC-0330. Because we file documents electronically with the SEC, you may also obtain this information by visiting the SEC's Internet website at http://www.sec.gov .

INDEMNIFICATION FOR SECURITIES ACT LIABILITIES

Our Articles of Incorporation, as amended and restated, provide to the fullest extent permitted by Section 145 of the General Corporation Law of the State of Delaware, that our directors or officers shall not be personally liable to us or our shareholders for damages for breach of such director's or officer's fiduciary duty. The effect of this provision of our Articles of Incorporation, as amended and restated, is to eliminate our rights and our shareholders (through shareholders' derivative suits on behalf of our company) to recover damages against a director or officer for breach of the fiduciary duty of care as a director or officer (including breaches resulting from negligent or grossly negligent behavior), except under certain situations defined by statute. We believe that the indemnification provisions in our Articles of Incorporation, as amended, are necessary to attract and retain qualified persons as directors and officers. Our By Laws also provide that the Board of Directors may also authorize us to indemnify our employees or agents, and to advance the reasonable expenses of such persons, to the same extent, following the same determinations and upon the same conditions as are required for the indemnification of and advancement of expenses to our directors and officers. As of the date of this Registration Statement, the Board of Directors has not extended indemnification rights to persons other than directors and officers.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers or persons controlling us pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers or persons controlling us pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
New Century Companies, Inc. and Subsidiary

We have audited the accompanying consolidated balance sheet of New Century Companies, Inc. and Subsidiary (the "Company") as of December 31, 2006, and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for each of the two years in the period ended December 31, 2006. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company was not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of New Century Companies, Inc. and Subsidiary as of December 31, 2006, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2006 in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has an accumulated deficit of approximately $7,808,000 and a history of losses from operations. These factors, among others, raise substantial doubt about the Company's ability to continue as a going concern. Management's plans regarding these matters are also described in Note 1. The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ SQUAR, MILNER, PETERSON, MIRANDA & WILLIAMSON, LLP

March 12, 2007
Newport Beach, California

NEW CENTURY COMPANIES, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEET
December 31, 2006

ASSETS		
Current Assets		
Cash	$	53,318
Restricted cash		123,898
Contracts receivable		303,561
Inventories, net		1,120,182
Costs and estimated earnings in excess of billings on uncompleted contracts		1,160,668
Deferred financing costs, net		358,293
Prepaid expenses and other current assets		20,205
Total current assets		3,140,125
Property and Equipment, net		285,088
Deferred Financing Costs		418,009
Total assets	$	3,843,222
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Bank overdraft		18,772
Accounts payable and accrued expenses		1,191,460
Dividends payable		362,800
Billings in excess of costs and estimated earnings on uncompleted contracts		452,911
Notes payable		48,000
Convertible notes payable, net of discounts		332,556
Total current liabilities		2,406,499
Convertible Notes Payable, net of discounts		273,000
Commitments and Contingencies		
Stockholders' Equity		
Cumulative, convertible, Series B preferred stock, $1 par value, 15,000,000 shares authorized, no shares issued and outstanding (liquidation preference of $25 per share)		-
Cumulative, convertible, Series C preferred stock, $1 par value, 75,000 shares authorized, 27,780 shares issued and outstanding (liquidation preference of $933,000)		27,780
Cumulative, convertible, Series D preferred stock, $25 par value, 75,000 shares authorized, 11,640 shares issued and outstanding (liquidation preference of $416,000)		291,000
Common stock, $0.10 par value, 50,000,000 shares authorized; 11,714,654 shares issued and outstanding		1,171,466
Subscriptions receivable		(462,500)

Notes receivable from stockholders		(525,402)
Deferred consulting fees		(333,069)
Additional paid-in capital		8,802,564
Accumulated deficit		(7,808,116)
Total stockholders' equity		1,163,723
Total liabilities and equity	$	3,843,222

See accompanying notes to the consolidated financial statements.

NEW CENTURY COMPANIES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
For the Years Ended December 31, 2006 and 2005

	2006	2005
CONTRACT REVENUES	$ 8,318,957	$ 6,038,459
COST OF SALES	6,437,761	4,323,489
GROSS PROFIT	1,881,196	1,714,970
OPERATING EXPENSES		
Consulting and other compensation	520,346	579,921
Salaries and related	351,410	218,249
Selling, general and administrative	1,260,861	350,787
TOTAL OPERATING EXPENSES	2,132,617	1,148,957
OPERATING INCOME (LOSS)	(251,421)	566,013
OTHER INCOME (EXPENSES)		
Gain (loss) on forgiveness of debt	41,595	318,973
Change in fair value of derivative liability	1,494,761	-
Interest income	27,308	
Interest, including debt discount amortization	(2,363,187)	(215,827)
TOTAL OTHER INCOME (EXPENSES)	(799,523)	103,146
INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES	(1,050,944)	669,159
PROVISION FOR INCOME TAXES	800	800
NET INCOME (LOSS)	$ (1,051,744)	$ 668,359
NET INCOME (LOSS) APPLICABLE TO COMMON STOCKHOLDERS	$ (848,669)	$ 512,059
Basic net income (loss) applicable to common stockholders per common share	$ (0.07)	$ 0.06
Diluted net income (loss) applicable to common stockholders per common share	$ (0.07)	$ 0.05
Basic weighted average common shares outstanding	11,332,289	9,186,987
Diluted weighted average common shares outstanding	11,332,289	9,836,987

See accompanying notes to the consolidated financial statements.

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NEW CENTURY COMPANIES, INC. AND SUBSIDIARY
STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
For the Years Ended December 31, 2006 and 2005

	Conversion of Preferred Stock, Series B		Preferred Stock, Series C		Preferred Stock, Series D		Common Stock		Additional Paid In	
	Shares	**Amount**	**Shares**	**Amount**	**Shares**	**Amount**	**Shares**	**Amount**	**Capital**	**S**
Balance,Janaury 1, 2005	-	$ -	60,780	$ 60,780	23,640	$ 591,000	7,292,265	$ 729,227	$ 4,060,974	$
Issuance of common stock in connection with debt extention	-	-	-	-	-	-	250,000	25,000	22,500	
Isssuance of common stock for consulting services	-	-	-	-	-	-	1,050,000	105,000	414,000	
Isssuance of common stock as a penalty for not registering preferred shares	-	-	-	-	-	-	300,000	30,000	60,000	
Issuance of common stock in connection with legal settlment	-	-	-	-	-	-	100,000	10,000	10,000	
Accrued dividends payable	-	-	-	-	-	-	-	-	-	
Issuance of common stock in connection with the conversion of preferred stock	-	-	(31,800)	(31,800)	-	-	530,001	53,000	(21,200)	
Issuance of common stock in connection with the conversion of preferred stock	-	-	-	-	(12,000)	(300,000)	600,000	60,000	240,000	
Issuance of common stock in connection with settlement of debt	-	-	-	-	-	-	500,000	50,000	260,000	
Issuance of common stock in connection with settlement of	-	-	-	-	-	-	75,000	7,500	39,000	

accounts payable									
Amortization of deferred consulting fees	-	-	-	-	-	-	-	-	-
Interest on notes receivable from stockholders	-	-	-	-	-	-	-	-	-
Net income	-	-	-	-	-	-	-	-	-
Balance, December 31, 2005	-	-	28,980	28,980	11,640	291,000	10,697,266	1,069,727	5,085,274
Isssuance of common stock for consulting services							325,000	32,500	(167,750)
Issuance of stock in connection with convertible debt							30,000	3,000	6,584
Beneficial Conversion Features and Other Debt Discounts									1,600,416
Issuance of warrants for financing costs									455,200
Issuance of stock for interest expense							269,318	26,932	143,318
Warrants issued for Consulting									127,500
Issuance of shares for extension of debt							105,000	10,500	37,800
Issuance of shares for financing costs							250,000	25,000	132,500
Conversion of Preferred Stock			(1,200) $	(1,200)			20,000	2,000	(800)

Amortization of deferred compensation									
Issuance of warrants for waiver of liquidated damages									300,000
Stock Based Compensation									360,000
Cumulative Preferred Dividends									
Interest on Notes Receivable from stockholder									
Issuance of warrants for financing									29,090
Misc. Adjustment							18,070	1,807	(1,807)
Reclassification of warrant liability									695,239
Net Income									
Balance, December 31, 2006	- $	-	27,780 $	27,780	11,640 $	291,000	11,714,654 $	1,171,466 $	8,802,564 $

See accompanying notes to the consolidated financial statements.

NEW CENTURY COMPANIES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2006 and 2005

	2006	2005
Cash flows from operating activities:		
Net income (loss)	$ (1,051,744)	$ 668,359
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization of property and equipment	146,563	194,300
Gain on settlement of legal dispute	-	(275,000)
Gain on forgiveness of accounts payable	-	(102,597)
Gain on forgiveness of notes payable	-	(216,375)
Gain on forgiveness of debt from waiver of liquidated damages	259,185	-
Stock issued for interest expense	170,250	-
Stock options grants	43,200	-
Amortization of debt discount	1,320,522	47,500
Amortization of deferred consulting fees	236,435	272,616
Amortization of deferred financing cost	347,988	-
Bad debt expense (credit)	115,158	(5,334)
Derivative liability expense (income)	(1,494,761)	-
Estimated fair market value of common stock issued for consulting services and related change in fair value	(19,987)	-
Estimated fair market value of common stock issued for partial legal settlement	-	20,000
Interest income on notes receivable from stockholders	(19,763)	(19,715)
Estimated fair market value of common stock issued for penalty on failure to register convertible preferred stock	-	90,000
Other	45,985	-
Changes in operating assets and liabilities:		
Contracts receivable	(151,150)	(554,368)
Inventories	(191,235)	51,295
Costs and estimated earnings in excess of billings on uncompleted contracts	(742,913)	(165,923)
Prepaid expenses and other current assets	(50,380)	-
Accounts payable and accrued expenses	(557,620)	169,887
Billings in excess of costs and estimated earnings on uncompleted contracts	(48,473)	(259,002)
Net cash used in operating activities	(1,642,740)	(84,357)
Cash flows from financing activities:		
Bank overdraft	(8,877)	27,649
Proceeds of issuance of notes payable	3,800,000	-
Restricted cash	(123,898)	-
Payment of financing costs	(422,500)	-
Principal payments on notes payable	(1,548,667)	-
Principal repayments on obligations under capital lease	-	(72,379)
Net cash (used in) provided by financing activities	1,696,058	(44,730)

Net increase (decrease) in cash		53,318		(129,087)
Cash at beginning of period		-		129,087
Cash at end of period	$	53,318	$	-
Supplemental disclosure of non-cash investing and financing activities:				
Debt discount on note payable extension	$	10,500	$	47,500
BCF and Debt discount on convertible notes payable	$	3,843,300	$	-
Accrued cumulative dividends on preferred stock	$	84,800	$	156,300
Cumulative preferred dividends waived	$	287,875	$	-
Accrued deffered financing cost	$	60,000	$	-